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NEWS SUMMARY

GENERAL

Demirel asked to form Cabinet

Mr. Suleyman Demirel, leader of the conservative Justice Party, yesterday accepted President Koruturk's invitation to form a new Turkish Government.

This leaves Mr. Demirel with no alternative but to seek to resurrect the rather shaky coalition which governed before last month's General Election. This process is expected to take at least 10 days.

Mr. Bulent Ecevit, leader of the Republican People's Party, who had been seeking to bring in a minority Government since the poll, is to carry on in a caretaker capacity. **Back Page**

Efforts to cool Grunwick mail dispute

Post Office and management officials took steps yesterday to defuse the dispute over the unofficial blacking of Grunwick mail. The Post Office again postponed its threat to suspend 126 workers at Cricklewood sorting office—until 12.30 p.m. to-day—after the Union of Post Office Workers reversed last week's decision supporting the blacking. **Back Page. Court hearing, Page 9. Society To-day, Page 27**

Accord with Bonn at risk

Britain and West Germany are at odds on a series of issues which threaten a serious confrontation in the autumn. Three of the key problems involve Common Market policy. These are the site of the JET fusion research project, Britain's EEC Budget contribution next year and devaluation of the Green Pound. **Page 4**

Dutch skipper fined £25,000

A Dutch trawler skipper whose vessel was arrested 50 miles off Aberdeen last Friday within hours of the start of the herring ban, was fined £25,000 at Aberdeen for illegal herring fishing. Gear and catch worth £27,000 were confiscated. **Cod quota row, Page 4**

Amin admission

President Amin of Uganda, addressing the Organisation of African Unity summit in Libreville, Gabon, admitted that there had been an attempt on his life last month. **Conference report, Page 6**

Docherty sacked

Manchester United have sacked manager Tommy Docherty, stating that he is in breach of contract. Two weeks ago Mr. Docherty, 49, said he planned to set up home with Mrs. Mary Brown, wife of the club's physiotherapist.

Nabokov dies

Vladimir Nabokov, the author whose works included the controversial novel, Lolita, has died at his home in Montreux, Switzerland. He was 78. **Obituary, Page 3**

Cooling off

The hot spell is expected to cool off on Thursday when cloud will lower temperatures, the London Weather Centre said. At Corby, Northants, 200 women, British Steel Corporation canteen workers, walked out, claiming it was too hot to work.

Briefly...

A Thames pleasure boat, carrying more than 100 people, hit Hammersmith Bridge, injuring two passengers.

President Carter has awarded the Medal of Freedom, the highest U.S. civilian honour, posthumously to Dr. Martin Luther King. **Page 5**

Dutch police seized nearly two tonnes of hashish aboard a yacht in Amsterdam.

BUSINESS

Equities off 1.6; gains in gilts

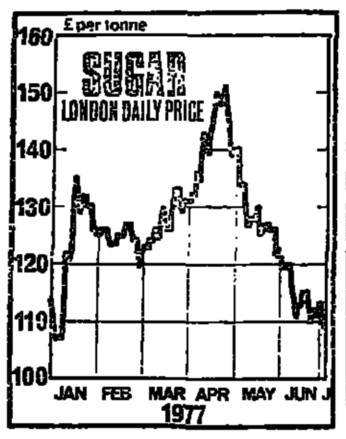
○ EQUITIES lost ground, with buying inhibited by pay policy worries. But the tone improved after the announcement of an increase in U.K. reserves. The FT 30-Share Index finished above the worst at 449.6, off 1.6.

○ GILTS came back after early losses. Minor gains in low-coupon issues and irredeemables led to a rise of 0.09 to 67.87 in the FT Government Securities Index.

○ STERLING gained 4 points to close at $1.7202, but its trade-weighted index fell to 61.1 (61.3).

○ GOLD fell $1.50 to $140.875.

○ SUGAR prices fell, as a large world surplus appeared likely. London daily raw sugar price was fixed at £109 a tonne, the



lowest for six months, and futures prices later fell to the lowest for nearly four years, the September quotation slipping to £117.35.

● WALL STREET was closed for Independence Day.

● U.S. ECONOMY continued to grow at a healthy, if slightly slow, pace last month, according to a survey of corporate buyers. But two economic reports have cast doubt on President Carter's chances of meeting his targets for lower inflation and unemployment. **Page 5**

New price code hinges on pay

● GOVERNMENT will go ahead with its prices policy on condition that there is a further period of pay policy. A White Paper setting out the price proposals makes no concessions to CBI arguments on safeguarding profits, but the Government says it is still considering views put to it. **Back Page**

● OIL PRICE rise agreed on by Saudi Arabia and the United Arab Emirates could add over £20m. to Britain's fuel bill in the next six months. But it is not yet clear whether oil companies will pass on the increase to consumers. **Page 9**

● BRITISH GAS chairman, Sir Denis Rooke, has dismissed predictions that the U.K. is heading for a big energy gap in the 1990s as alarmist. **Page 8**

● LEYLAND, ICI and Ford have again filled the top three places in the FT list of leading U.K. exporters for 1976. **Page 7**

● ELEVEN companies have formed a trust to award fellowships to MPs to obtain first-hand knowledge of how business operates at all levels. **Page 9. Management page features, Page 13**

COMPANIES

● BABCOCK AND WILCOX has bought nearly 20 per cent. of Butterfield-Harvey, whose share price rose 14p to 55p on the possibility of a full-scale bid. **Page 30**

● ASSOCIATED NEWSPAPERS Group made record pre-tax profit of £12.01m. (£8.45m.) in the year to March 31. **Page 28 and Lex**

● ICI AUSTRALIA plans a rights issue to raise $A59.5m., one of the largest equity raisings in the country. **Page 32**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treasury 3½pc '79-81	£88¾	+ ½
Abwood Machine Tls.	17	+ 3
Arlington Motor	81	+ 7
Blockleys	63	+ 5
Butterfield Harvey	55	+ 14
Caledonia Invs.	272	+ 10
Cape Inds.	122	+ 8
Chesterfield Props.	220	+ 12
Coalite and Chemical	24½	+ 3
Dunhill (A.)	360	+ 20
Furness Withy	323	+ 12
Gibbons (S.)	98	+ 4
Kitchen Taylor	30	+ 7
Lankro	98	+ 4
Lee Cooper	120	+ 17
Lep Group	227	+ 7
Lex Service	65	+ 3½
Philips' Lamps	965	+ 40
Status Discount	63	+ 4
W'hampton Die Cast.	25	+ 3
Assam Frontier	212	+ 20
Geevor	310	+ 5
Gopeng	200	+ 5

FALLS

Anchor Chemical	74	− 5
Arbuthnot Latham	127	− 6
Blackman and Conrad	18	− 10
Cope Sportwear	65	− 5
Hardy (Furnishers)	44	− 4
Schroders	310	− 10
Spirax-Sarco	268	− 6
Swan Hunter	121	− 5
LASMO OPS	335	− 5
Kloof Gold	329	− 17
Libanon	271	− 9

Executive opposes £110 call

Gormley attacks NUM militants on wage demands

BY ALAN PIKE, LABOUR STAFF IN TYNEMOUTH

MILITANT ELEMENTS in the National Union of Mineworkers who set "impossible" wage demands which they knew could not be achieved were attacked by Mr. Joe Gormley, NUM President, on the eve of to-day's crucial pay debate at the Union's conference here.

In a strong plea for moderation when delegates to-day agree the miners' next pay targets, Mr. Gormley warned that the "charade" of making impossible claims puts the NUM in danger of locing the sympathy and support of the rest of the *trade union movement.*

To-day's debate wil focus on two motions—one. a composite from three Left-wing areas which will attempt to commit the union to demanding "without alteration or hesitation" "new rates of up to £110 per week and the other from the moderate Nottinghamshire area.

The NUM executive yesterday afternoon decided by 13 votes to 10 against supporting the Left-wing motion which is backed by the South Wales, Scottish, and Yorkshire areas. The motion calls for £110 a week for face workers, £90 for underground workers, and £80 for those on the surface, with plans for industrial action if the claim is rejected.

In money terms, the Nottinghamshire motion, which the executive will support, pitches the miners' ambitions even higher and proposes new rates of up to £135—almost double the present maximum of £71.

But while the Left-wing motion is an immediate demand to be met in the coming pay round, the Nottinghamshire proposal merely "seeks to achieve" the suggested increases.

Scotland, *South Wales* and Yorkshire represent between them nearly half the NUM membership and the outcome of to-day's debate is expected to be close.

If the Left-wing motion succeeds, the miners will be committed to a hard-line specific pay claim, and the chances of a return to free collective bargaining taking place in an orderly and restrained way will have suffered a serious blow before Phase Two has even expired.

Although the miners did not receive Phase Two increases until March, both motions call for their next pay agreement to begin in November.

This would be a clear breach *of the* TUC General Council's ruling last month that pay settlements reached during Phase Two must run their course for a full 12 months.

If the miners succeed in breaching this, it would be enormously difficult for the TUC and Government to hold other groups to the 12-month rule *which* is one of the fundamentals of the TUC's hopes that it will be able to keep order in the coming year's pay round.

The miners have been trying to get back to a November settlement date since it was moved to the spring by the Wilberforce award. It is not yet certain how hard the NUM will fight on this point, particularly if the more moderate motion succeeds to-day.

Mr. Gormley stressed last night that he regards the Nott-

Continued on Back Page

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MR. JACK JONES and other leaders of the Transport and General Workers Union were trying last night to ensure that their union's conference in Douglas, Isle of Man, does not ditch the incomes policy 12-months rule and with it the "orderly return" to free collective bargaining.
Back Page

Challenge to Smith as new party launches attack

BY TONY HAWKINS SALISBURY, July 4.

A NEW Right-wing Rhodesian political party has been formed by 12 former Rhodesian Front MPs who resigned over amendments to the Land Tenue Act earlier this year.

Mr. Ian Sandeman, a former British Army Officer and Rhodesian Front MP for the past seven years, will be its interim chairman.

Mr. Sandeman said to-night that detailed party policies would be announced tomorrow. The new party would support "any constructive moves" towards a Rhodesian settlement. It would not, however, accept any agreement which failed to guarantee "unequivocally" the permanence of all communities.

The formation of the new party provides Mr. Ian Smith, the Prime Minister, with his toughest opposition challenge since the unilateral declaration of independence in 1965.

The new party will have an early opportunity to test its electoral support at a by-election created by last week's resignation from Parliament of Mr. Wickus de Kock, former Minister of Information.

The Rhodesian Front believes the new party will nominate Mr. Des Frost, the former Front Party chairman who resigned on Saturday, to fight the by-election, which must be held in the next six weeks.

It would be a good seat for Mr. Frost since the constituency of Rusape borders his home farm and is one with a significant Afrikaans speaking population. Some see the speculation that he will stand as far fetched.

When the Rhodesian Action Party spells out its policies to-morrow it is likely to advocate a constitutional formula which provides for some kind of federal arrangements leaving whites and blacks in complete control of "their own areas" but with some over-riding federal government.

The party is reportedly doing well with younger white Rhodesians who are spending much of their lives in the security forces fighting what is called "a no win war."

A significant number of Rhodesian Front officials—at branch and divisional level—have quit the party in sympathy with the rebels. This is one reason why Mr. Smith himself today ruled out any prospect of an early general election.

Impasse

Mr. Sandeman said the new party would work for the elimination in Rhodesia of the "political infrastructures of the terrorist organisations operating against the countr. The party will support in every way possible the execution of the anti-terrorist war by Rhodesian security forces."

The best way of solving the constitutional impasse would be for black and white Rhodesians to meet—free from any outside political interference.

There has been a predictable exchange of unpleasantries today between the Prime Minister and his former party boss.

Mr. Frost, replying to Mr. Smith's week-end allegations that he was "two-faced," said he had been expecting Mr. Smith's "usual" character assassination. He had five times been elected unopposed as party chairman and had won last year in the face of a determined attempt by the Prime Minister to unseat him.

The real nature of the threat which the new party poses to Mr. Smith might only become clear after the outcome of the settlement initiative of Dr. David Owen, Foreign Secretary, is known.

Mr. Smith's position would seem to be secure unless the negotiations over Dr. Owen's proposals break down. If that happens Mr. Smith will have to offer the whites some alternative. If he cannot—and the Rhodesian Action Party says Mr. Smith is politically bankrupt—the RAP believes its chance will come.

To-night Mr. Mark Partridge, the Rhodesian Minister of Defence, said there was no question of a split in the Rhodesian Front. Rhodesia's position was difficult but certainly not difficult enough for the Government to throw up everything it had worked for and hand over to "irresponsible" majority rule.

New City watchdog planned to guard security markets

BY MARGARET REID

A NEW high-powered City financial authority to ensure fair play in security markets and watch for potentially damaging developments is likely to be launched this autumn by Mr. Gordon Richardson, Governor of the Bank of England.

The initiative follows last October's decision by Mr. Edmund Dell, the Trade Secretary, not to set up a statutory policing body for City markets on lines parallel to the Securities and Exchange Commission in the U.S.

At the time it was decided, as Mr. Dell announced that "the Bank of England should develop its surveillance of the securities industry, with a view to improving the effectiveness of the existing self-regulatory machinery."

The new body, possibly to be called the Council for the Securities Industry, will probably absorb the existing City Take-over Panel — though leaving its operations substantially unaffected — and work closely with the Stock Exchange, which regulates disclosure of information by quoted companies. Means are being discussed for it to have under its wing other securities dealing in Britain, such as those through the merchant banks' computerised share-dealing concern, ARIEL, and those by foreign brokers, licensed security dealers outside the Stock Exchange and others.

Discussions on the project, which has been worked on secretly over a number of months in the City, are expected shortly to be widened among *the various City bodies concerned.* The main participants in the securities market—the Stock Exchange, the merchant banks, and the associations representing the user bodies, such as the big insurance, pension fund and other institutional investors—have been kept in touch with these discussions and will be consulted again in the coming weeks.

Thoughts about the new supervisory body have been based on a paper submitted to the Governor of the Bank of England in early February by Mr. David Macdonald, now director-general of the City Take-over Panel — which is chaired by Lord Shawcross—and Mr. Jeffrey Knight, deputy chief executive of the Stock Exchange and head of the Exchange's Quotations Department.

The idea is that the new body should have a high-ranking chairman—somebody like Lord O'Brien, formerly Governor of the Bank of England—or a leading judge. Most other members would be drawn from City bodies, but there would be a few lay members to avoid any impression *that the new concern* was an exclusive City club.

Not all the City's leading figures agree that the concept of a new self-regulatory body confined to the securities industry in its widest sense is the best solution to the problem of demonstrating publicly that the City can run its own affairs without scandals. Some favour a more far-reaching organisation, spanning commodity and other markets as well. But the majority feeling appears to favour the Securities industry concept, giving this idea a very strong chance of being carried into effect in the next two or three months.

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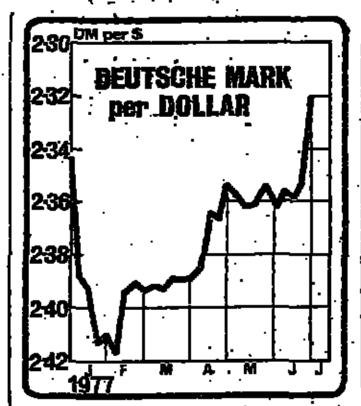


Dollar under pressure

BY MICHAEL BLANDEN

THE DOLLAR dropped to its lowest level against the West German D-Mark for over two years yesterday as the U.S. currency came under increasing pressure in foreign exchange markets.

With New York markets closed for Idependence Day, activity was concentrated in the European markets with dealing sometimes hectic.

The main selling of the dollar was against the D-Mark, which touched a best level of DM2.3170 to the dollar before closing at DM2.32, against DM2.34 on Friday.

The U.S. currency also lost ground sharply against other strong currencies, particularly the Japanese yet, which last week was the main centre of interest and yesterday was again very firm. The yet closed at Y265.10 to the dollar compared with the previous level of Y268.

Selling

Another strong currency was the Swiss franc at Sw.Frs.2.4360 to the dollar, while the French franc rose to its best level for some nine months against the dollar. In London, however, official intervention held the *gain in sterling at only 4 points* to $1.7202.

The volume of selling yesterday, especially in Continental centres, surprised many dealers who had expected a fairly quiet day's trading. The weakness of the dollar intensified the pressures which were already being felt last week, sparked off by the sharp rise in the Japanese yen.

This pressure arose out of the expectation that the Japanese authorities would be prepared to allow their currency to appreciate against the dollar. This was urged to help the process of adjusting international trade imbalances in statements at the recent OECD meeting.

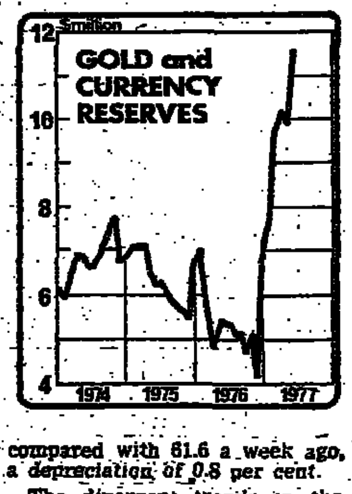
The apparently favourable reaction of the Japanese authorities allowed the yen to break through the important 270-to-the dollar barrier last week for the first time in three years, and yesterday the rate was close to

Continued on Back Page

U.K. reserves reach record $11.57bn.

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN's official reserves rose by $1.67bn. last month to a record total of $11.57bn., partly as a result of overseas demand for BP shares in the recent offer.



The increase in the reserves included $750m. from the recently-arranged $825m. British National Oil Corporation loan, and there was $30m. net on other public-sector loans after a small long-term debt repayment.

This *indicates* an underlying rise of $891m. last month, which more than cancels out the under lying outflow of $605m. in May in the period when sterling was weak.

A significant but unquantified part of this underlying inflow was associated with overseas purchases of sterling by subscribers to the U.K. offer of BP hares. There was apparently quite a large overseas demand, but a 4.7-times subscription meant that larger applications had to be scaled down.

The timing both of the offer and of closing of the books on the reserve figures ensured that none of the money returned flowed out again last month, though the authorities expect some movement out from this source from now on.

This is completely separate from the offer in the U.S. which will affect only the July figures and should be worth just over $200m.

The reserves have been boosted by the authorities determination to keep sterling more or less in line with the dollar, despite the weakness of the U.S. currency. Even so in the past fortnight the rate has been consistently above $1.72 for the first time since autumn.

The intervention to support the dollar has meant that sterling has weakened against other *currencies. The trade-weighted* index closed at 61.1 yesterday, compared with 61.6 a week ago, a *depreciation of 0.8* per cent.

The divergent trends in the dollar rate and the trade-weighted index highlight the compromise in exchange-rate policy between sharply differing points of view in the Treasury and the Bank of England, principally between those who want a further depreciation to improve price competitiveness and those who want a free float, effectively an appreciation for most of this year, to help stem domestic inflationary pressures.

Debt policy

The further sharp rise in the reserves is bound to reopen this debate, *as well as the broader* long-term discussion of reserve and debt-repayment policy.

For technical reasons, because of the recent rise in the reserves, the U.K. last month voluntarily re-purchased from the International Monetary Fund an amount equal to SDR 610m. The same sum was immediately re-drawn, *and there was no effect on the reserves.*

LOMBARD

Evidence for a recovery

BY SAMUEL BRITTAN

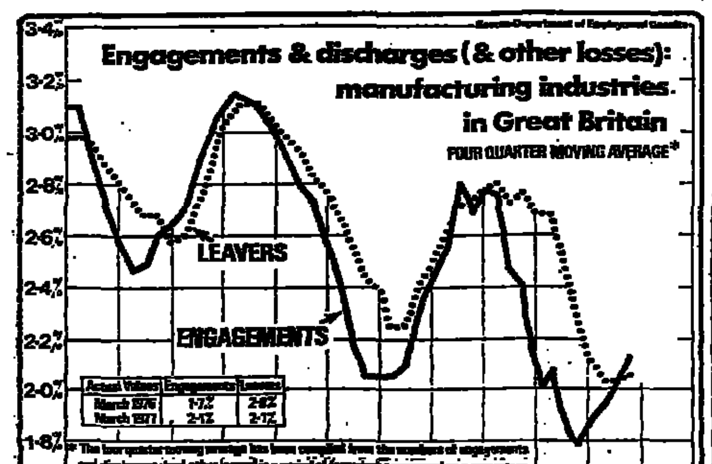
THE PESSIMISTS about the British economy received a great boost when it "became known" that Mr. Healey presented to a week-end Cabinet meeting at Chequers a Treasury Paper showing a major improvement between now and 1979. Similar reports from the Chancellor in the past have so often been followed fairly soon by a crisis. But I would not cast Mr. Healey in the role of the man who is always wrong; a person who is reliably wrong—once his true aptitude is discovered—is often the most valuable member of a business firm.

Our Chancellor does not also qualify for this prize, as the relation between his utterances and the course of events is more that of randomness than consistent wrongness.

The economic forecasters may be a better bet. On those occasions when they are unanimous, there is a good chance that they are marking out what will not happen. Early this year both the Keynesians and monetarist forecasters predicted renewed recession—the Keynesians because the individual demand components seemed woefully inadequate, and the monetarists because the real money supply was falling. Thus there was a fair prospect of continuing recovery. The exact difference between recovery and recession is, of course, a matter of some art. The CBI, which takes the pessimistic view, both reports and predicts further increases in output. The question is whether the growth is fast enough to take up the slack or so slow that unemployment and unused capacity will increase; and it has hailed the June rise in unemployment as confirmation of the latter prospect.

One reason why I remain unconvinced is shown in the attached chart. The Department of Employment Gazette—much the most useful source of untapped economic trends—has just started to publish a regular series of labour turnover in manufacturing, partly in response to my complaints about its absence. It shows that changes in employment come about through the cumulation of small differences between engagements and discharges. In a recession both fall; discharges fall because people think twice about voluntary departure and perhaps also fight redundancy more fiercely.

The onset of a recession is marked by a sharp drop in engagements. Discharges first remain steady and then fall after a lag. Recovery is marked by a sharp upturn in engagements while discharges are still falling.



The chart shows that engagements turned up at the end of 1975. Discharges levelled off in 1976 and the gap between the lines has now closed. The evidence is not decisive. There has still to be the rise in discharges which confirms recovery. Nevertheless, in previous cycles new trends, once established, were not quickly reversed. Looking at more conventional indicators, the adjusted unemployment percentage was little higher in June than in January. Indeed, a sceptic could attribute the dip and rise in between to imperfections in seasonal adjustments. Vacancies, moreover, are substantially up on the end of last year. So too is the two way flow of vacancies onto and off the unemployment register—which is labour turnover from another viewpoint. Thus there is no reason to retract the view that recovery has continued in defiance of the forecasters. Those who want to follow the argument should take out a subscription to the Gazette.

RACING — BY DOMINIC WIGAN

Turkish Treasure looks safe

WITH THE race conditions weighing heavily in his favour, Vincent O'Brien's Leonato can foil Smuggler's bid for a second successive Princess of Wales Stakes victory to-day.

Leonato, whose first public effort earned him fourth place in the Gallinule Stakes at the Curragh, appeared to be beaten more by inexperience than any other factor when going down by three-quarters of a length to Classic Example in Royal Ascot's King Edward VII Stakes.

O'Brien's Pretense colt failed to stretch out when asked for an effort by Piggott in the rousing finish to that event and the more experienced Classic Example — who has since franked the form with a fine third-place effort in the Irish Derby — took the initiative.

Leonato is sure to be all the better for his Royal Ascot run. I expect to see him take advantage of the 28 lbs he receives from Smuggler and give that strong lightweight, Taffy Thomas, a comfortable winning ride.

It will come as a shock if O'Brien fails to lift the Cherry Hinton with Leonato's once-raced stablemate, Turkish Treasure.

NEWMARKET
2.00—Fast Bowler
2.30—Turkish Treasure***
3.00—Free State*
3.35—Leonato**
4.10—Hawkins
4.40—Mar Greig
5.10—Kolyansky

This grey Sir Ivor filly clearly showed a great deal at home before making her racecourse debut in the Tulky Stakes on Gallinule day towards the end of May. She went to post a 5-4 favourite despite the presence of the previous winner, Sookera, and 10 others.

The Cashel filly duly justified her market position and confirmation that she had put up a high-class display came when Sookera, the length runner-up, ran away with Royal Ascot's Chesham Stakes.

Turkish Treasure may have less to do this afternoon than she did in the Tully Stakes, and I shall be surprised if she fails to complete the double.

The locally trained Frankincense filly, Elegante, appeals as the one for the forecast.

A second O'Brien two-year-old in action this afternoon is Kolyansky, among the runners for the seven-furlong Plantation Maiden Stakes. In the absence of both Demetrius and Mataking he may also prove good enough to open his account at the first time of asking.

SALEROOM — BY ANTONY THORNCROFT

Record £30,000 paperweight

A RECORD auction price for a Clichy convolvulus - bouquet paperweight—£30,000, plus the 10 per cent. commission—was paid at Sotheby's by a French buyer yesterday.

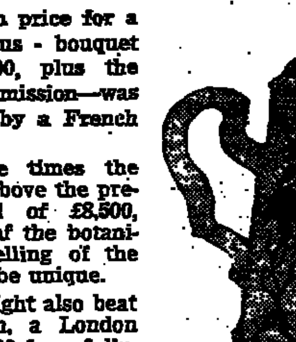
The price, three times the forecast, and way above the previous—1970—record of £8,500, was paid because of the botanically correct modelling of the leaves, believed to be unique.

Another paperweight also beat the record—Tilman, a London dealer, giving £17,500 for a fully-signed clichy moss ground weight of the scattered millefiori type.

Another rare weight from the Clichy factory, with an arrangement of three clematis, sold for £6,000, to the dealer Howard Phillips. The sale totalled £174,276.

Sotheby's also continued with the auction of Old Master drawings from the collection of the late Mr. C. R. Rudolf, bringing in £208,120 for a running total to date of £553,785. Top price was the £23,000 (plus 10 per cent. buyer's premium) from Shab, a New York dealer, for *The Adoration of the Shepherds*, by Grechetto, a record price for the artist.

Other good prices were the £6,200 from Hazlett, Gooden and Fox for a Virgin by Salviati; £5,200 from Colnaghi for a classical allegory by Amico Aspertini; £4,800 from Baskett and Day for *Venice Crowned in Glory* by Il Giovane (record for the artist); and £3,000 from



Colnaghi for two more views by Giovane.

In another auction of Old Master drawings in the afternoon, which brought in £61,540, a group of drawings by a member of the Florentine School went for £12,500 to Stab. Somerville and Simpson gave £7,200 for a view of the Entrance of the Academy of Architecture at the Louvre by de Saint-Aubin. Christie's also established an auction record yesterday—£17,000 (plus the 10 per cent.) from Dr. Torre of Zurich for a Venice (Vezzi) octagonal coffee pot and domed cover. It is a record for Venice Vezzi porcelain, beating the previous best of £10,526 earlier this year at Christie's in Rome paid for a teapot.

All told, the Continental porcelain sale brought in £107,349. A Hague decorated Tournai dinner service sold for £9,500; a Meissen white and gold part service went to Adams for £5,000; and a Meissen beaker and armorial saucer from the Swan service was acquired by Hoff for £2,400.

In a sale of Old Master paintings at Phillips, which totalled £51,680, Frobisher paid £2,800 for a portrait of Sir Richard Carr Glyn, president of the Royal Hospitals of Bridewell and Bethlem in 1798, by John Hoppner.

The picture was sold by direction of the Governors of Bridewell Royal Hospital. A sale of furniture totalled £27,950.

Call for honest view of London

HONEST OPINIONS about the future of London are worth more than clinical objective assessment, the Duke of Edinburgh said when he opened a two-day conference on London, "Looks Forward yesterday.

He emphasised the importance of people in the planning of the City. "The conference will only make a contribution to London's future if everyone taking part thinks and speaks as a citizen of London first and as an expert second.

"Some honest opinions will be of a good deal more value than a clinical objective assessment."

FILM AND VIDEO — BY JOHN CHITTOCK

Public sector in close-up

THE EARLIEST and most inspired users of the sponsored documentary film came mainly from the public sector — stemming from the deeply rooted film tradition of the old Empire Marketing Board established in 1926, and spreading to the GPO, the British Commercial Gas Association, Imperial Airways and others. The public utility services in particular have dominated the audio-visual media, and in the 1970's they represent a large sector of the market for available business — not only for producers, but also for suppliers of equipment.

New approach

The Post Office can claim, perhaps, historical influence and even parentage — through the work of the old GPO Film Unit whose 1936 classic *Night Mail* is still available in the current Post Office film catalogue. But the changes that have overtaken the use of audio-visual media in the Post Office reflect the social revolution of the last 40 years, with recent trends forecasting even more change ahead. The Films Officer of the Post Office was originally employed in the public relations department — but he now comes under the marketing department; that is the name of the game — with films promoting various postal services, especially aimed at businessmen. One recent production about Datapost — *The Certain Service* — is claimed to have achieved contracts during its first showings worth three times the cost of the film.

Marketing also preoccupies much of the audio-visual activity of the Electricity Council, which nowadays is going firmly after the business user. Last week, the council unveiled a new approach to this philosophy — four mini-films, designed as support material for lectures and salesmen. Ranging in length from only 3½-6 minutes, these cover infra-red process heating, electric baking ovens, induction heating for forging and the electric low thermal mass furnace. They are being used in a variety of modes — as 8mm. films, in desk top Super 8mm. back projectors, on videocassettes, and even on large screen back projection (16mm.) for exhibitions.

Electricity's main rival, British Gas Corporation, have been slower to shift away from the public relations approach — which still dominates most of their output. The problem is, perhaps, a different one — with the public the main customer and with the less scope for the direct sales film for industrialists. Thus films on cookery, educational themes and natural gas are leaders in popularity in the corporation's film library.

Marketing is again taking over in the other half of the Post Office — telecommunications. Once all the concentration was fixed on the wonders of telecommunications, but nowadays there is a greater emphasis on services and what the corporation esoterically calls "call stimulation" — encouraging telephone subscribers to use more of the product (selling to you and me). The latest telecommunications film, previewed last week, is however more than just a marketing film; *Life Line* is a social service film too, providing an insight into the extraordinary range of special equipment that is available for handicapped people — to many of whom the telephone is a last surviving link with sanity. Anyone with handicapped people as a responsibility should see it — not only for information on what is available, but for hope and courage inspired by others who struggle on.

Railway cinema

The extent to which audio-visual aids can be usefully employed in a modern business is demonstrated most extensively at British Transport Films. Once famous for its superb general interest documentaries, especially on travel and natural history themes, this British Rail unit now epitomises the point we have now reached in social change. The marketing films are there, of course, selling the HST (high speed train) overseas, plugging containerisation and so on. But mobile television is also used for training personnel, safety education, showing management how to appear on regional and national television. Mr. Peter Parker, BR's new chairman, exemplified the internal communication application with a film message to all employees shortly after he took over; this was distributed on 16mm., Super 8mm. and videocassettes.

British Transport Films is also responsible now for British Rail's photographic activities—which range from publicity stills to forensic photography for the railway police. The ubiquitous tape/slide show is another production activity, and the unit is also in business accepting commissions from other sponsors—such as the four new Electricity Council films which it made as straight commercial job. Even something really different, business customer can even hire a fully equipped railway cinema coach—there are two available.

Some activities new to British Transport were being used years ago by the National Coal Board, such as the mobile CCTV unit which goes around the country producing on-the-spot safety programmes. The NCB has also been in the commercial market for some time, not only accepting commissions but getting cinema release for them under the banner of the Board's magazine film *Review*.

Safety training

Others in the public domain are no less active, such as British Airways, the British Tourist Authority and the Central Electricity Generating Board. Unhappily, the British Steel Corporation is almost alone now in having failed to resume its once extensive use of *a-v media*.

Apart from marketing, many are increasingly using the media to explain themselves to the public and to the Government. Safety training dominates some activity, as would be expected in the coal industry, railways, but it is not universal. Indeed, there are curious disparities, such as the provision of videocassette equipment by the Electricity Council and British Gas as internal communication networks—but none yet at the Post Office. British Gas produces very little training material of its own and nothing on industrial relations, while British Rail and the Electricity Council are very active users in these areas.

As an example of ingenuity, the Electricity Council helped Electricity Boards to equip their service engineers with portable microfilm readers — so that each engineer can effectively carry in his car several hundred appliance servicing manuals.

It is a far cry from the romance of films like the Empire Marketing Board's *Drifters* made by John Grierson. The excitement and challenge have gone. The problems and preoccupations are now more mundane, practical and related to the human spirit. Such is progress.

TV/Radio

BBC 1

†Indicates programme in black and white

6.40-7.05 and 7.30-7.55 a.m. Open University (UHF only). 1.15 p.m. News. 1.30 Camberwick Green. 3.45 Pobol Y Cwm. 4.18 Regional News (except London). 4.20 Play School. 4.45 Animal Magic. 5.10 Let's Make a Musical. 5.35 Ludwig.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 The Waltons.
7.40 Sykes.
8.10 Z Cars.
9.00 News.
9.25 I Didn't Know You Cared.
9.55 Red Alert.
10.45 Tonight.
11.25 Weather, Regional News.

All Regions as BBC-1 except at the following times:—

WALES—5.55-6.20 p.m. Wales Today. 6.50 Heddiw. †7.15-7.40 Dylanwadau Sylfaenydd Urdd Gobaith Cymru. 11.25 News and Weather for Wales.

SCOTLAND—9.55 a.m. The Wombles. 10.00 Jackanory. 10.15 Boss Cat. 10.40-11.00 Country Search. 5.55-6.20 p.m. Reporting Scotland. 11.25 News and Weather for Scotland.

NORTHERN IRELAND — 4.18-4.20 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.25 News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
4.55 p.m. Open University.
7.00 News Headlines.
7.05 A Small City Garden.
7.30 News on 2.
7.40 Centre Play.
8.10 Rugby Special: Wellington v. The British Isles.
9.00 Rhoda.
9.25 Six Scenes from a Marriage.
10.15 Rhythm on 2: Trad Jazz.
10.45 Impressions from Upper Mongolia (film by Salvador Dali).
11.45 Late News on 2.
11.55-12.00 Closedown: Julian Glover reads "A Sense of Being" by John Horder.

LONDON

9.30 a.m. Summer School. 10.15 Certain Women. 11.05 Spiderman. †11.30 Time to Remember. 11.55 The Woozles. 12.00 Paperplay. 12.10 p.m. Rainbow. 12.30 Moneywise. 1.00 News. 1.20 Today's Post. 1.30 Couples. 2.00 Good Afternoon. 2.25 Racing from Newmarket. 4.20 Runaround. 4.45 Extraordinary. 5.15 Mr. and Mrs. 5.45 News.
6.00 Today—London Looks Forward.
6.40 Crossroads.
7.05 Tuesday Film Premier: "Trouble Comes To Town" (TV movie).
8.30 Home About the House.
9.00 ITV Playhouse.
10.00 News.
10.30 City of Angels.
11.30 Dan August.
12.25 a.m. Close: Tao Te Ching read by Madhav Sharma.

All IBA Regions as London except at the following times:—

ANGLIA
[illegible]

ATV
[illegible]

BORDER
[illegible]

CHANNEL
[illegible]

GRAMPIAN
[illegible]

GRANADA
[illegible]

HTV
[illegible]

HTV CYMRU/WALES—As HTV General Service except: [illegible]

HTV WEST—As HTV General Service except: [illegible]

SCOTTISH
[illegible]

SOUTHERN
[illegible]

TYNE TEES
[illegible]

ULSTER
[illegible]

WESTWARD
[illegible]

YORKSHIRE
[illegible]

RADIO 1 — 247m
(S) Stereophonic broadcast
[illegible]

RADIO 2 — 1,500m and VHF
[illegible]

RADIO 3 — 464m, Stereo & VHF
[illegible]

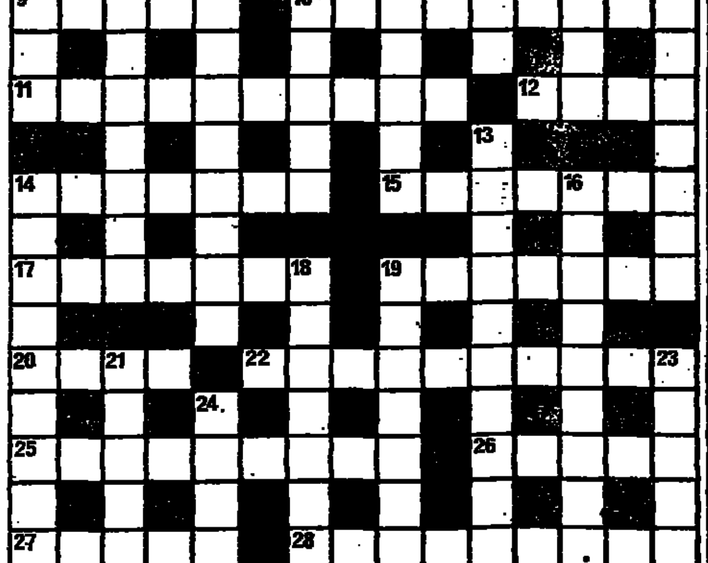
RADIO 4 — 434m, 330m, 285m and VHF
[illegible]

BBC Radio London — 206m and 94.9 VHF
[illegible]

London Broadcasting — 261m and 97.3 VHF
[illegible]

Capital Radio — 194m and 95.8 VHF
[illegible]

F.T. CROSSWORD PUZZLE No. 3,422



ACROSS

1 Living round a badger's home could be perplexing (9)
6 Walk when public transport goes quietly (5)
9 Panic created by a Liberal member (5)
10 Arrive with Oriental in attempt to produce treason (9)
11 Lithe people start taking extra part of periodical (10)
12 A thought from an inside agency (4)
14 Sinning leader must go last for part of match (7)
15 Note to spy producing chemical (7)
17 A looser mixture in pressurised container (7)
19 One Cinque Port totally in Hants. (7)
20 Lied about being lazy (4)
22 Ruin one pen? It's cheating! (10)
25 Vegetable with cunning I restrict (9)
26 Return for morning massage in Asian Republic (5)
27 Occurrence when woman gets wrong book (5)
28 Not up here but it could be subsequently (9)

DOWN

1 Fish around river for money (5)
2 Type of steel used for knives (9)
3 Expedience coming from lines in paper (10)
4 Revise this sum for a constriction (7)
5 Ruth giving note to slimmer (7)
6 Indicate accuracy of credit (4)
7 Alter notice about people (5)
8 Let our rope to captain or cashier (9)
13 Bible story about fellow that may be excused (10)
14 Man in a tie becoming lifeless (9)
16 Overhear part of the roof fall (9)
18 Spent money to ring up with an excuse (4, 3)
19 Runner let heat get out of hand (7)
21 The French and the English combine to make a machine (5)
23 Long for an affirmative vote on navy (5)
24 Tax on southern dwelling (4)

Solution to Puzzle No. 3,421

CATCHY SPIRITED
O O O T O U O E
VAMOOSE INNINGS
E P K N G F I I
NOES JOINFORCES
T A I N A R T
RARELY INSPIRE
Y S L B T O U C
BEEFTEA CRAMBO
E E C H T P N
SPAREWHEEL USED
T M L A N F T O
EGOTISM COLLEEN
E U N E E U A E
MARIGOLD BEAKER

APPOINTMENTS

Food Industries chairman

Mr. Bernard E. Harper, chairman of FOOD INDUSTRIES, and latterly chairman of the European Food Emulsifier Manufacturers Association, will be retiring shortly after 29 years' service in Unilever. He will be succeeded as chairman of Food Industries from August 1 by Dr. David R. Lockhart, until recently raw materials director of BOCM Silcock.

Mr. Bernard L. Silvey is to retire as chief executive of DAVENPORTS BREWERY (HOLDINGS) from August 1. He will continue as deputy chairman, but becomes a non-executive director of the company. His executive position as chairman of Davenports Brewery, the trading company, will be assumed by Mr. Neville W. A. Frost, managing director.

★

Mr. Herbert Kirby has retired from the Board of ASSOCIATED BISCUIT MANUFACTURERS and as chairman of O.P. Chocolate. He is succeeded as chairman by Mr. John S. Golfar, who is a director of ABM. Mr. Kirby has become honorary president of O.P. Chocolate.

★

Mr. Alan Cooper has been appointed managing director of PRIESTMAN BROTHERS, part of the Acrow Group, in succession to Mr. Norman Brocklebank who, after 50 years with the company, has resigned from that post but continues as a director. Mr. Cooper has been with Priestmans for the last two years as deputy managing director. Mr. W. Jack, managing director of Acrow, has also been appointed a director of Priestman Brothers. Mr. Colin Webb has become a director of Taperex, a subsidiary of Priestman Brothers. He is also general manager of their marine crane division.

★

Sir Julian Hodge is to retire as chairman of RELIANT MOTOR GROUP at the annual meeting on August 15. Mr. J. Hoddell, Mr. S. E. Taylor, Mr. J. A. Stephenson and Mr. F. D. Walters will leave the Board at the same time. Mr. H. M. Gwyther has resigned from the Board. Mr. J. F. Nash, Mr. J. F. Gammon and Mr. J. J. Tilbrook have been appointed to the Board and will seek re-election at the annual meeting. These changes follow the sale by the Hodge Group, a subsidiary of Standard Chartered Bank, of its 78.57 per cent. holding in Reliant to J. F. Nash Holdings last month.

★

Mr. C. H. Spencer has retired as a joint managing director of SPENCER GEARS (HOLDINGS) and also as chairman of its subsidiary Spencer Gears. He remains on the Board of the parent concern as a non-executive director. Mr. J. W. L. Schofield continues as a joint managing director of the group and has been made chairman of the subsidiary and Mr. C. H. Poulton becomes managing director of that company. Mr. J. H. Robinson, a member of the holdings Board, has been appointed a joint managing director of the group. Mr. J. G. Hurst, managing director of Southern Industries (Coolers), has been made a director of the parent company.

★

Mr. Geoffrey Cope has become chief executive of P. WIGHAM-RICHARDSON AND COMPANY, the shipbroking division of the Wigham Poland Group, following the retirement of Mr. Stanley Rumsey.

★

Mr. Henry Ball has become chairman of BOWATER PACKAGING and continues as managing director. Mr. Frank Hayes has retired as chairman.

★

Mr. J. G. Barber and Mr. E. J. Stratford have now left the ELLIS MECHANICAL SERVICES GROUP. Mr. C. Westgarth continues as chief executive and deputy chairman, and Mr. M. P. Renton continues as chairman. Mr. R. W. Newman has been appointed secretary, in addition to continuing his duties as financial director. A new company, ELLIS MAINTENANCE AND SERVICES, has been formed and Mr. J. Arrowsmith has been appointed managing director. Mr. C. Smith continues as managing director of Ellis Mechanical Services (International), and Mr. S. W. Hastel continues as managing director of Ellis Fire Protection.

★

Mr. J. Y. Cleator has been appointed chairman of FENNER INTERNATIONAL. He is a director of J. H. Fenner and Co. (Holdings).

★

Sir Roger Stevens has retired from the Board of the BRITISH BANK OF THE MIDDLE EAST but will continue as a director of the Bank of Iran and the Middle East.

★

Mr. F. S. Candy, at present deputy manager, MIDLAND BANK, has been appointed premises manager. He succeeds Mr. D. H. Rayment, who is relinquishing his appointment for personal reasons.

★

MERRYDOWN WINE COMPANY. Mr. Peter Whitting hase become sales director. He was previously sales manager. Mr. Terry Wall, who has been appointed finance director, joined the company as accountant from John Brown Construction in 19... Mr. Desmond L. Brook has been made production director, a full Board function. Mr. Brook was one of the company's earliest employees in 1950, and in 1960 was appointed works manager.

★

Mr. Brian Hanson has been appointed sales director of ... MANUFACTURING. Mr. Hanson was previously sales manager.

★

Mr. Stephen J. Horner has been appointed financial director of AGAR CROSS AND CO. Mr. Horner joined the Newman Industries Group as a management accountant in 1974 and became financial controller of Newman Electric Motors in 1976.

HOME CONTRACTS

Hall Russell's £6m. Navy order

HALL, RUSSELL AND CO., now part of British Shipbuilders, has received a contract worth about £6m. from the Ministry of Defence (Navy) for four torpedo recovery vessels. The order will ensure continuity of work for the shipyard until the early part of 1979.

★

ROB CALEDON, Leith, has been awarded an order by Caledonian MacBrayne, the state-owned Scottish ferry group, for a new ferry worth almost £3m. The yard—where the workforce has already been reduced by 300 to 550 over the past year because of falling orders—had been due to complete its last order, a gas tanker, in August.

★

BRUSH ELECTRICAL MACHINES, Loughborough, a Hawker Siddeley company, has won a contract worth about £5m. to supply London Transport Executive with 1,200 traction motors. These will be used for propelling 75 new 100 km/hour, six-car trains to be built under the Executive's replacement programme for rolling stock at present in service on the District Line.

★

PLESSEY TRANSMISSION has received an order worth about £2.5m. for equipment said to be capable of doubling the speed capability of the Post Office Datel service over both private circuits and the public switched telephone network. The equipment, called the Datel Modem No. IIA, will be used by the Post Office to set up the new higher-speed Datel service which it will offer to banks, airlines, insurance companies and others with their own central computers.

★

GEC ELECTRICAL PROJECTS has been awarded a further order worth about £1.8m. for electric drives, associated equipment and services as part of the National Coal Board's steam winder replacement programme. The latest order covers equipment for converting the Ollerton Colliery Nos. 1 and 2 winding engines from steam to electric drive.

★

WALTER LAWRENCE AND SON has won a contract worth more than £1.5m. for a new Fine Fare Superstore and multi-storey car park in Chatham High Street.

★

BUTTERS CRANES, Glasgow, part of the crane division of the Thomas W. Ward group, has secured an order worth about £1m. for three high pedestal level luffing dockside cranes from the Tees and Hartlepool Port Authority. This follows a contract from the Port Authority in August 1976 for six cranes worth £1.3...

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Zurich Festival

Düerrenmatt on form

by OSSIA TRILLING

The dramatic programmes of the 1977 June Festival opened with a rousing Jacobean flourish. It was sounded by the Birmingham Repertory Theatre in Stuart Burge's twinned productions of Shakespeare's *Measure for Measure* and Ben Jonson's *The Devil is an Ass*, performed in one and the same setting. An observant Zurich critic spoke of them as the work of the only two playwrights of genius England had ever managed to produce, all the others, presumably, having been Irishmen. Birmingham's visit, like that of Glasgow Citizen's two years ago, went some way to make up for the dropping of the Festival's traditional "Theatre in Four Languages" season. This time the only other visitors were German-speaking.

The festival's main home-grown novelties, staged by the Schauspielhaus and the Theater am Neumarkt respectively, were Friedrich Dürrenmatt's *The Visit of the Old Lady*, revived exactly 21 years after its first performance, and *No si paga, no si paga*, an uproarious satirical farce by the Milanese Dario Fo, here called *Bezahlt wird nicht*, or, as we might say, *Everything's Going Begging*. Even the Opera House found Dürrenmatt in great form making his debut as an original librettist for a "musical drama", derived from his familiar allegory of *An Angel Comes to Babylon*.

To call his latest contribution to the stage an opera would be most misleading, since he and his composer, countryman Rudolf Kelterborn, have turned the earlier play into a quite new and highly original example of modern music theatre.

Dürrenmatt, incidentally, is also returning to the dramatic stage after a prolonged silence with an entirely new play called *Die Frist*. This title, which carries many meanings from "delay" to "time extended," was chosen by the author for yet another allegory, this time about a dying general who is kept alive by his doctors well beyond his natural span of life. No prizes are being awarded for identifying the model. The Schauspielhaus will stage it on October 5, followed a few days later by the City Theatre of Basle.

The musical drama is no mere reworking of an existing Dürrenmatt play, as was von Einem's of *The Visit of the Old Lady*. Dürrenmatt worked closely with the composer, rewriting the text from scratch adding new passages and otherwise making it more accessible in its musico-dramatic form. The titular Angel is sent down to earth with the innocent virgin Kurrubi (sc. Cherub), who is to be the bride of the lowliest beggar in the land. King Nebuchadnezzar's outlawry of beggary might have frustrated the divine will if Akki, a penniless social outcast, had not defied the royal decree. His tussles with authority are the stuff of the allegorical plot, which thickens when Kurrubi falls in love with the King, now disguised as a beggar himself.

In the end the King has to admit defeat and Akki leaves Babylon, with Kurrubi on his arm, bound for a better though unknown Utopia beyond the horizon. The Angel, too, leaves for home, re-tracing his steps heavenward, in the stupendous-looking Zurich production, along the perilously soaring spiral gangway that Josef Svoboda designed to fill the vast stage from floor to flies, surely the most ingenious theatrical structure ever to have come from the brain of this scenographic genius. Under Ferdinand Leitner's authoritative baton and in Gotz Friedrich's imaginative production, a huge company perform vocal and histrionic marvels, none so impressively among them as the actor Wolfgang Reichmann, on loan from the Schauspielhaus, in the speaking role of Akki, who is made by the author to "find his voice" in Act Three, and to the surprise of all reveals himself as the owner of a deeply resonant and expertly produced bass-baritone of a most agreeable timbre.

For *The Visit of the Old Lady*, Harry Buckwitz had retained the services of Eberhard Itzenplitz, well-known in films and TV, but a virtual tyro in the theatre, though few would have guessed this to judge from his proficient handling of the actors. Heidemarie Hatheyer, *pace* Lynne Fontanne, looked a shade too young and attractive to be wholly persuasive as the avenging gorgon Claire Zachanassian; she was convincingly partnered by Benno Sterzenbach as her ill-fated seducer, substituting at the eleventh hour for the stricken guest from East Berlin, Wolf Kaiser, who has now happily taken over the role.

As an uncompromising dramatic spokesman of the far left, Fo enjoys an unequalled popularity throughout Italy and western Europe, though apart from the recent visit of the Belgian National Theatre to the Old Vic, Britain has unaccountably ignored him so far. His farce is about the worm that turns, in this case the housewives who raid the supermarket, by-passing the tills and upsetting the Carabinieri and the smooth flow of capitalist market-economy, when prices soar above breaking-point. The first-night audience was in stitches, as much no doubt, because of the felicities of the demagogic plot as on account of the deliciously absurd performances of the four-handed company, whom Jochen Fölster directed with panache on a central acting-area, right in the heart of the spectators.

Hotel de Sully, Paris

The Art of the Garden

by DENYS SUTTON, Editor of Apollo

L'entree du jardin—by Mérigot fils, 1788

Recent years have seen in England the virtual disappearance of the small scale exhibition designed to examine a specific aspect of art; such shows had their origins in the famous ones arranged by the Burlington Fine Arts Club from Victorian times until 1939. Nowadays the fashion is for enormous exhibitions, often of a rather daunting character, or ones that are variations on "bread and circuses."

Fortunately, the French, whose contribution to modern artistic life is more impressive than is often acknowledged, have managed to preserve a balance between the mammoth show and the smaller one. Those who are inclined to feel after they have gone round the Islamic exhibition at the Grand Palais as if they have crossed the Sahara on foot may seek refreshment at the Hôtel de Sully.

This enchanting building houses a show devoted to the garden in France, from 1760 to 1820, which is on view until September 11; it is arranged by the Caisse Nationale des Monuments Historiques and has a notable catalogue. It is a most enjoyable experience to see such a wide range of material, much of which is unfamiliar except to the most erudite historian of the garden.

The show, which could have done with rather more space, demands considerable concentration, for it brings together paintings, drawings, plans and photographs. It is divided into a series of sequences, each of which is designed to illustrate a special aspect of the subject; the result is to display the considerable richness of the art of the garden in a period of just over half a century. Inevitably it has a nostalgic quality about it, for many of the finest gardens are either no more than a memory or in a battered condition.

The exhibition clearly brings out the changes that occurred in the approach to the garden in France during the 1770s. The concept of a natural garden was substituted for a formal one; the *jardin anglais* or *jardin chinois* became the rage. It is significant of the new trend that Voltaire should have written to Sir William Chambers that at Ferney he had all types of garden from "Du peigné et du sauvage."

In the Age of the Enlightenment, the artist considered himself free to draw on a variety of sources; the maker of gardens took the same liberty. Mme. de Lussay's garden in Franconville included a cavern inspired by Young, a monument to William Tell and a reconstruction on a small scale of the Pantheon at Rome. A complex of this type acts as a reminder that cultural eclecticism was not confined to the 1890s but existed during a fin de siècle period of a century before.

Despite political rivalry, a considerable intellectual interchange took place between France and England, though few French artists visited England. One who did so was F. J. Bélanger who may have been induced to go by the anglophile comte de Lauraguais to whom he had been introduced by the actress Sophie Arnould.

Bélanger's travel sketchbook shows that he came to England more than once. He visited many country seats such as Hagley, the Leasowes, Stourhead and Painshill and his drawings of these houses as well as of the Royal Crescent and Pulteney Bridge at Bath are full of atmosphere and bear some relationship to the type of work done by Wilson in Rome.

One important section of the exhibition deals with the concept of landscape garden presented as if it was a stage set. Attention is properly drawn to the position of Hubert Robert as the best representative of the "*paysage prospectif*". Robert, one of the most underestimated painters of his period, had the gift of being able to present in his pictures landscapes that anticipated the gardens of Versailles, Méréville and Betz, to mention only three.

Now that the eighteenth century is very properly being studied closely, more comes to be known about some of its patrons. One interesting figure was de Monville. He came from a well off background—his grandfather was a *fermier-général*—and his family had recently become allied to the nobility. He was a lover of Madame Du Barry and a companion of the future Philippe Egalité in his nocturnal pleasures. This elegant man about town, who was a splendid dancer, was responsible for one of the astonishing Anglo-Chinese gardens of the time, Le Desert de Retz. He was also a collector of rare plants and would have got on well with Josephine, who loved them so deeply as is pointed out in the July issue of *Apollo*, which is devoted to the seductive Empress.

The exhibition presents the garden in many aspects: examples of the Turkish garden and the Gothic garden are included. However, to gain its full significance, more than one visit to the show is required. In any event, the importance of this charming exhibition should not go unnoticed on this side of the Channel. Those responsible for Franco-British cultural relations should try to bring it to London.

The Entertainment Guide is on Page 36

International Students House, W.1

American student bands

by KEVIN HENRIQUES

A lengthy article could be written about the student jazz bands in American colleges, high schools and elementary schools. It is sufficient to explain here that thousands of them exist throughout the United States and that they have a profound influence on American youngsters and on introducing them and getting them to play American music, whether it be jazz, rock or in straightforward commercial bands.

Inevitably there are many festivals and contests at which the jazz bands compete. One of the longest running is the Reno International Jazz Festival which has been in existence for 16 years and which is usually held in March. Prizewinning bands have the chance to visit Europe a few months later and in recent years London has been on the itinerary. This year two section winners plus a guest band from Canada are playing in Europe and began their three-week tour on Friday at the International Students House before going on to the Continent, playing finally the Montreux Jazz Festival.

As we in Britain are unused to schools and educational authorities encouraging and sponsoring jazz bands it is impossible to make comparisons. One can only record real fascination and amazement at hearing the band—Arden Intermediate School, Sacramento, California, comprising mainly 13 and 14 year olds of both sexes, deal unselfconsciously and with deceptive ease with 10/8 time signatures going into 4/4. Their concluding "Woodchoppers' Ball" would have pleased Woody Herman; the tender age of the players did not detract from the standard of musicianship and their obvious delight and interest in each others' playing. As a footnote it must be added that this band meets only after school five nights a week when it plays for 45 minutes.

The [illegible] Aptos High School band, also from California, is made up of 15 to 17 year olds and one of its claims to remembrance is that four fifths of its saxophone section are female. The band negotiated some difficult charts with notable success including the not often played "The Star-Crossed Lovers" from Duke Ellington's *Such Sweet Thunder* Suite and the also rarely heard "Harlem Airshaft". This band has already made an LP.

Undoubtedly, and possibly inevitably, the biggest impact of the evening was made by the oldest age group, band from Humber College, Toronto. Here the players are in the 18-24 age bracket. This 19-piece, ear-splitting, searing big band mixed ambitious arrangements of familiar tunes with originals by some of the sidesmen and played them all with a scorching verve and intensity which pinned listeners back in their seats.

Predictably the most mature playing of the evening came from the Humber College outfit; also the best solo improvisations. In this respect trumpeter/flugel-hornist Jim McLeod, two fast trombonists and a soprano-saxist stay in the memory for their outstanding technique. But all the players obviously draw their inspiration from their dynamic musical director Al Michalek.

Sadler's Wells Theatre

London Youth Dance Theatre

by CLEMENT CRISP

The introduction of dancing into the curriculum of secondary schools, and the institution of ballet history as an academic study at "O" level, are welcome recent indications of a welcome broadening in our educational system. Instead of being a remote and "fancy" subject that impinges not at all upon the reality of most school-children's lives, dancing has started to be recognised as a vital means of expression which can cut across every barrier of age, and ability to engage the attention of children of all types.

In comprehensive schools in "difficult" urban areas in the south, in secondary schools in the Midlands and the North, the inspiration offered by dedicated teachers has produced exceptional results, with entire year-groups, or sometimes entire schools, seeming caught up in dance productions. Schools matinées by touring ballet companies, London Contemporary Dance residencies, bring more dance into closer contact with teenagers.

Viewers who saw BBC2's *May I have the pleasure* programmes last year may recall scenes which showed young people, and especially boys, dancing to "soul" music in clubs and discos. (The shots taken in an Edmonton club, and at a Wigan disco offered dancing of great bravura: I count it as among the best things I saw during the entire year.)

It is this richness of dance ability that is as yet hardly touched by schools and is untapped by companies. Too few education authorities seem aware of what a dance programme can bring to the life of a school, to the channelling of sometimes wild youthful energy into creative activity, and to the shaping of young bodies and young minds by the act of corporate and dedicated work in dancing.

To anyone wanting to see just how much can be done by young dancers — and committed teachers—the initial programme by the London Youth Dance Theatre at Sadler's Wells last Friday afternoon was most impressive. The 38 dancers, selected at audition, come from schools in the London area. They are directed from the dance department at Tower Hamlets School; some of the choreography is by Linda Robinson and Hilary Ball of Tower Hamlets; much of it is made by the dancers themselves. They are wonderfully enthusiastic performers, with a style necessarily limited to basic modern dance and some very jolly jazz movement; they work to music that ranges from John Taverner and Varèse to Bessie Smith and Sondheim.

The programme of nine short works was enthralling, not for any outstanding merit as yet, but because of the sense of total involvement, of discipline, and the feeling that the dancers knew what movement could do. There was the added and unexpected delight of one young lady—I hazard the identification that she is Miss Lena Mose—who looks not a little like Judith Jamison of the Alvin Ailey company, and who has a dance quality of unquestioned beauty. I count myself fortunate to have seen her and the entire programme.

I cannot urge too strongly support for this enterprise, and its emulation elsewhere in the country. It must be given every possible help, and I would venture that our best choreographers could do worse than offer to help in making suitable works for these eager young dancers.

Leonard Burt

Margot Fonteyn, Rudolf Nureyev and Natalia Makarova in 'Les Sylphides' which opened last night at the Coliseum

Vladimir Nabokov

by ANTHONY CURTIS

One of the most original and ...ative novelists of our time, ...dimir Nabokov, died in Switzerland on Saturday at the age of 78. He first came to prominence in 1955 with the publication of *Lolita*, telling the story of the passion of a middle-aged man for a 12-year-old girl. It was published in Paris where it was picked up by Graham Greene who recommended it in a Sunday newspaper as one of the best books of the year, the proprietor, Lord Kemsley, demanded a copy and there were some red faces among his staff when he had finished reading it.

For a while the notoriety that surrounded this one book, starting a vogue for the expression "nymphet," blinded the eyes of the public and critics to the rest of Nabokov's work which was already considerable. He had in fact been writing fiction ever since he was a student at Cambridge and in Paris in the 1920s, in his native Russian and then directly into English, his adopted language. He had been brought up in St. Petersburg in the bosom of an affluent and aristocratic family and had left after the Revolution.

Nabokov was thus supremely well equipped to give expression to the theme of exile. It appeared with wry humour in some stories about a Russian professor of entymology, Pnin, a partial self-portrait, set on a campus in up-state New York. This was the author's own situation at the time, but his literary earnings soon rendered further exile unnecessary. He emigrated this time to Switzerland where he produced a steady stream of fiction and occasional translations from the classic Russian poets. At the same time his own early work began to appear in English translated by his son.

Nabokov's pre-war books such as *Laughter in the Dark* (1938) now appeared in English alongside later and even more involuted performances such as *Pale Fire* (1962). He could also be a fierce polemicist. He clashed memorably with Edmund Wilson over the translation of Pushkin, but he rarely gave interviews. His hobby was the study of butterflies on which he was a formidable authority and it has often been observed that his own prose has the bloom of some rare, exotic specimen.

Wigmore Hall

Lindsay Quartet

by DAVID MURRAY

As the Lindsay Quartet boarded the complete cycle of Beethoven quartets, on a stickily humid Sunday evening, they may have wondered whether it was after all prudent to be working up to the *Grosse Fuge* at programme-end—a good two hours away. In fact if the heat took any toll of them, it was only at two or three slippery moments in the first half, which consisted of the F minor Quartet op. 95 and the first-published one, op. 18 no. 1. The Lindsay players are a consistently exciting team, and it was to be expected that they would make the most of op. 95, the "Serioso." The Allegro was powerfully urgent, but not hard-driven; the Allegretto had a fine, deliberate intensity.

They realised the "assai vivace ma serioso" of the Scherzo uncommonly well, with a dangerous smoothness in the Trio. The Finale buzzed anxiously, and at the end spun away into F major with breathtaking effect, brilliantly turned. They adjusted their scale sensibly for op. 18 No. 1, which is mostly in a robust F major without *Angst*; but I particularly admired the controlled passion of the Adagio, and their stinging attack in the Trio of the Scherzo. They refused to relax in the final Allegro, and managed some striking near-orchestral sounds.

The great B-flat Quartet op. 130, properly crowned by the *Grosse Fuge*, sustained a reading of fierce intelligence. The technical security of the playing was, if anything, more impressive than earlier, anchored by the Lindsay's splendidly assured cello. I thought the Andante fractionally too fast to bring out its *poco scherzoso* flavour; that was certainly true of the "Alla danza tedesca," where the pawky little rests which punctuate the melody could hardly tell at so fleet a tempo. Nothing of the tragic weight of the Cavatina was lost, though; and then the *Grosse Fuge* was expounded superbly—solidly proportioned, ferociously clear, seized in a rhythmic grip of sprung steel. Older quartets can rarely bring so much to this daunting piece. The cycle continues to-night, and through four more evenings. The youthful maturity these players bring to it promises quite unusual rewards.

St. Albans Abbey

BBC Singers

Does the sober, surpliced figure of the cathedral organist conceal a bacchanalian sprite? Do similar hidden passions animate the organist's audiences? At St. Albans such suspicions are in the air. The ninth International Organ Festival, which began on Friday, spreads from the cathedral to pubs and clubs, parties and "happenings," and ends next Saturday with the Goat Ceilidh Band (cloven hoof of the pagan god?) and "lashings of wine and song." Even the cinema organ, formerly anathema to the church musician, is admitted to the programme.

All of which points to the identity of the organiser—Peter Hurford, cathedral organist at St. Albans for 19 years, who founded the Festival in 1963 and later established its present biennial basis. In 1966 he unleashed further provocation at the Albert Hall in London under the title "The Organ in Sanity and Madness." Between Bach and beer, the event at St. Albans also incorporates one of Europe's most rewarding competitions for younger players of the organ. Marcus Huxley (Britain) and Peggy Haas (U.S.) were declared equal second prize winners this year, the judges having withheld a first prize.

It is surprising that an organisation so obviously alert to matters of presentation should slip so badly at Saturday evening's choral and organ concert in the abbey. A new work by Anthony Payne and three motets by Gesualdo (as well Kodaly's Missa Brevis) were all in Latin and two works by Poulenc were in French—yet neither texts nor translations were available to the audience. This is not just unhelpful, in a neutral sort of way; it is deliberately to keep the audience in the dark, and to confirm any casual dropper-in in the conviction that classical concertgoers are prone to engage in self-deceiving exercises.

As with all major festivals, the BBC must be present as financial fairy godmother. This concert (which was recorded for transmission on Radio 3 to-morrow) was given by the BBC Singers conducted by John Poole. Once more, this small professional ensemble demonstrated Mr. Poole's distinction as trainer and interpreter. Best of all, and helped by the acoustic qualities of the abbey, was the combination of a big sound with a decided cutting edge in the tone. Soloists drawn from the choir were excellent, and the two Poulenc selections (*The Litanies of the Black Virgin* and the *Little Prayers of St. Francis of Assisi*) admirably showed up the women's and men's sections in turn.

The Sea of Glass was the title chosen for his festival-commissioned work, by Anthony Payne (born 1936), better known as critic than as composer. His selections from the Old Testament and Revelations are interestingly without a single mention of the Deity. Over a space of about 20 minutes, he displays a sustained choral sound in a modernist style perhaps closer to Penderecki or Ligeti than to any British model, while at the same time writing for the organ as if he had never seen any traditional organ music. The instrument explodes in jagged, swift, intricate rhythms, the tone-colour being left to the player. Here it was John Clough, whose skill I admired throughout the concert in synchronising with a choir at some distance from the instrument.

On first hearing, the new work repays attention rather impressionistically, by the impact of forceful ideas and by the balance between sections. It promises to convey deeper conviction on further acquaintance.

ARTHUR JACOBS

British music in France

The sixth *Festival de Musique Ancienne* in Saintes, which runs until July 16, is devoted to English music; with the help of the British Council, many of England's early music groups are travelling to France to participate. The Clerkes of Oxenford, the Academy of Ancient Music, and the Choirs of St. John's College, Cambridge, and New College, Oxford, are all giving concerts.

The Festival, which declares itself "dedicated to all those who believe English music was born with Purcell and expired definitively after the quadruple divorce of the Beatles," includes much medieval music, and pieces by Maxwell Davies, Michael Finissy, Roger Smalley, and a new work by Brian Ferneyhough.

'The Red Devil Battery Sign' for the Phoenix

Following its season at the Round House, *The Red Devil Battery Sign*, the play by Tennessee Williams, will open at the Phoenix Theatre on Thursday, July 7. It stars Keith Baxter and Estelle Kohler with Maria Britneva, Pierce Brosnan and Nitza Saul.

EUROPEAN NEWS

Suarez Cabinet to include defence portfolio

BY OUR OWN CORRESPONDENT MADRID, July 4.

PRIME MINISTER Adolfo Suarez has created the post of Minister of Defence in his new Government in a move which further removes the armed forces from politics.

While Sr. Suarez, who held the last Cabinet meeting of his outgoing government to-day, has yet to make an official announcement, the list of new Ministers has already been finalised, according to informed sources.

Lt.-Gen. Manuel Gutierrez Mellado, the military Vice-Premier in the outgoing government, will be the new Vice-Prime Minister for Defence—a new post bringing together the three service Ministries.

The reappointment of the liberal general, who has earned the respect of opposition politicians and the wrath of the "ultras" in the armed forces, can be seen as confirmation that he will continue the task and modernise the administration and weaponry of the armed forces.

Previously each of the armed forces had its own minister.

The new Government, expected to be announced to-night or to-morrow, will consist of 20 Ministers including Sr. Suarez. Four other Ministers in the outgoing government retain their posts.

They are Sr. Marcelino Oreja, Foreign Minister, who very successfully re-established diplomatic relations with many countries including the Soviet Union after the frozen relations of the Franco era, Sr. Rodolfo Martin Villa, the Interior Minister, Sr. Landelino Lavilla, Justice Minister and Sr. Fernando Abril, the former Agriculture Minister who is promoted to Vice-Prime Minister for political matters.

Ministers are all drawn from, or identified with, Sr. Suarez's Democratic Centre Union party which won the general election three weeks ago. In political outlook the new government is centre-left, reflecting statements made by Sr. Suarez.

Apart from the new post of Defence there are also the following new Ministries or amalgamations: Ministry of Commerce and Tourism (they were separate before); Transport and Communications; Social Welfare (to include the old Ministries of Public Works and Housing); Labour Relations (to replace the old one of the state-run trade unions); Culture and Information (Information was linked with Tourism); Health and Social Security; Regions and relations with the Cortes (Parliament).

The key post of Finance Minister goes to Sr. Francisco Fernandez Ordonez, Social Democrat leader, and the Vice-Prime Minister for Economic Matters is Professor Enrique Fuentes Quintana, a taxation expert. The appointment of these two reflects the great importance attached to the pressing economic problems.

Berlinguer underwrites Andreotti's survival

By Dominick J. Coyle ROME, July 4.

IN A POLITICAL deal likely to be approved formally here later to-night, Italy's Communist Party (PCI) is expected to underwrite the survival of Sig. Giulio Andreotti's minority Christian Democrat Government, at least over the summer months and possibly into next year.

For the Communists it is somewhat of a unique event, for it involves what amounts to a blanket commitment by the party to use its votes in Parliament directly in support of the Government's programme. Heretofore, the PCI has adopted a policy of abstention.

Sig. Enrico Berlinguer, the PCI leader, has hailed the agreement reached between the Christian Democrats and the main political parties here, excluding the neo-Fascists, on a limited social and economic programme as constituting "an historic turn" in Italian politics.

Not precise

The agreed policy document, at least on the basis of a version printed in the Communist daily, l'Unita, contains little that is precise, and it is interesting that the PCI leadership appears anxious to represent it to the party's rank-and-file supporters as something of a major political breakthrough.

It is evident that the PCI is anxious to secure virtually any form of agreement with the Christian Democrats and avoid yet another Italian political crisis, and possibly early elections at a time when Communist ranks are in considerable disarray.

Sig. Berlinguer, supported by the leadership of the much smaller Socialist Party, started out by insisting on a Cabinet reshuffle and the inclusion of a number of Left-leaning technocrats as an assurance that any agreed all-Party programme would be implemented. However, this demand has now been dropped, at least by the Communists, and it looks to-night as though Sig. Andreotti will continue as Prime Minister with a largely, if not indeed wholly, unchanged Ministerial team having secured the Parliamentary backing of the Communists in exchange for relatively minimal concessions on policy.

To-night's meeting here of party leaders is essentially to decide how the agreement policy document is to be presented to Parliament. The Socialists, and to an even greater extent the tiny Liberal Party, would like to be free to endorse the overall document, while opposing individual legislation based on it. The Christian Democrats and the Communists are pressing for a firm commitment by all the parties, in effect that the policy document would go to Parliament in the form of an agreed motion.

Law and order

The agreement covers questions of law and order — with the Communists prepared to give greater powers of arrest and interrogation to the police — economic policy in general terms, including investment objectives in the depressed southern region, and broad guidelines on local authority financing.

The Communists see the overall package as an indication that the Christian Democrats have dropped their traditional anti-Communist stance, even if the ruling party — indeed all political parties — are insisting that this "programmatic agreement" does not submerge the identity and policy objectives of the separate parties.

The policy agreement is certainly a long way short of the PCI's basic objective of securing an alliance in government of all Italy's democratic parties, the so-called "historic compromise," but the party seems to be on the point of achieving formally a direct voice in the formulation of Government policy if not an actual role in its implementation.

New Irish Cabinet to be unveiled by Lynch to-day

BY GILES MERRITT DUBLIN, July 4.

MR. JACK LYNCH, Ireland's new Prime Minister, takes over the reins of government to-morrow when he will announce his Cabinet. His Fianna Fail party ousted Mr. Liam Cosgrave's outgoing Fine Gael-Labour coalition on June 16 in a landslide general election win. But under the Republic's constitution, the defeated administration remains in office for a maximum of 30 days after polling.

The identities of the Cabinet Ministers whom Mr. Lynch will appoint have been the subject of keen speculation in Dublin for the past fortnight, particularly because of the likelihood that Mr. Charles Haughey will be among them. Mr. Haughey was dismissed from the post of Finance Minister by Mr. Lynch in 1970 because of his alleged involvement in the IRA gun-running affair, but was later cleared in court. A number of his front bench spokesmen in opposition are also being tipped to get their shadow jobs and the reason being put forward for that is the urgent task of job creation facing the new Government.

Mr. Lynch has kept his Cabinet choices a close secret, but the indications are that he may make Mr. Haughey either Health or Labour Minister.

Fianna Fail's record majority of 20 in the 148-seat Dail (Lower House), coupled with the post-election resignation of Mr. Cosgrave from the Fine Gael leadership and outgoing Deputy Premier Mr. Brendan Corish from Labour's leadership, have placed Mr. Lynch in an unassailable position.

There have been suggestions that he will take advantage of that fact to announce a restructuring of ministerial responsibilities, making Industry and Commerce into a "super-Ministry" and perhaps grouping other portfolios into a wide-ranging Environment Ministry.

Under the Irish constitution, the number of Cabinet Ministers is limited to no more than 15, and there has increasingly been an argument for the appointment of more junior Ministers to lighten the workload of Cabinet members.

In the Cosgrave Government, there were seven Parliamentary Secretaries, and Mr. Lynch has said that he would consider appointing, instead, Ministers of State who would have wider responsibilities.

Mr. Lynch is also expected to take on personal responsibility for questions relating to Northern Ireland and therefore Anglo-Irish relations. At present, Ulster-related matters are a responsibility of the Foreign Affairs Department.

The betting is that although Mr. Lynch has warned some staunch Fianna Fail backbenchers that they may well be disappointed if they have Ministerial aspirations, his Cabinet will include few new faces.

Dr. Martin O'Donoghue, a leading Irish economist, who had a major hand in drafting the party's election manifesto, is being tipped for the Cabinet, in spite of the fact that he is only now entering the Dail. Equally, he may be made a junior Minister in charge of Mr. Lynch's expanded office, especially if long-range economic planning becomes one of its new responsibilities.

Soviet dissident arrested

BY DAVID SATTER MOSCOW, July 4.

DR. VALENTIN TURCHIN, the leader of the Soviet branch of Amnesty International and the leading spokesman for Soviet dissidents since the arrest of Anatoly Sharansky, was seized on the street to-day near his home in south-west Moscow.

It is not known if Dr. Turchin, 46, a physicist, has been placed under arrest or has merely been taken in for questioning. He told Western correspondents last week that he had refused to comply with a summons to appear for questioning as a witness in the case of Alexander Ginzburg, an arrested member of the dissident Helsinki Group.

U.K.-Bonn confrontation threatens

BY JONATHAN CARR BONN, July 4.

BRITAIN AND West Germany are now at odds on a series of issues which, unless quickly resolved, could bring a serious confrontation between the two sides this autumn.

Three of the key problems involve European Community policy—the site of the JET fusion research project, Britain's contribution to the EEC budget next year, and the devaluation of the "green pound."

Behind these lurks a perennial bilateral difficulty—the sum Bonn is supposed to pay to offset the costs of stationing British forces in West Germany. An offset accord was due to be renewed more than a year ago, but Chancellor Helmut Schmidt is not keen on the agreement and there is still no sign of it.

On the JET issue, Herr Schmidt returned to Bonn from the EEC summit in London last week irritated by the manner in which the subject was raised by the Prime Minister, Mr. James Callaghan.

Herr Schmidt is aware that the British would have liked a decision to put the jet at their site at Culham as a success with which to end their six months' EEC Council presidency. But he also has good reason to believe that had the British allowed a vote to be taken on the topic in Brussels in March, a majority would have supported the West German site at Garching, near Munich.

For Herr Schmidt, the JET question is said to be one of only moderate importance in itself. But it is assuming greater significance than it is thought to deserve because of the British stand on other issues—notably London's contribution to the EEC budget next year and the problem of the green pound.

The budgetary issue revolves around a new system, due to come into force next January, for calculating contributions from the nine member states. If Britain loses the argument it will have to pay much more into the EEC "kitty" than the Treasury expected at the start of this year.

But the West Germans argue they have been paying more than their fair share for years, thanks to a valuation of the European unit of account long outdated by currency fluctuations.

Similarly the West Germans want to see a devaluation of the green pound (the sterling rate used in EEC farm transactions) much bigger than the 2.9 per cent. drop agreed by the Farm Ministers in April. Thanks to the greatly over-valued green pound at present, the Community — and therefore the West Germans in particular—are massively subsidising British food imports.

Fish policy, anger, Page 35

Herr Helmut Schmidt

Norway puts halt to cod fishing

BY WILLIAM DULLFORCE STOCKHOLM, July 4.

NORWAY HAS called a halt to cod fishing by EEC trawlers, including British, within the Norwegian 200-mile limit north of the 62nd parallel.

In a note to the EEC Commission on June 24 the Norwegians reported that EEC vessels had already caught the 26,300-ton cod quota allowed for the period from May 18 to the end of August.

A spokesman for the Fisheries Ministry in Oslo said to-day that Norway would fix a new quota for the period from September 1 in accordance with the agreement on mutual fishing rights reached with the EEC in Brussels on May 18. This would be based on an assessment of the state of the cod stock.

The ban on fishing north of the 62nd parallel applies only to cod. The EEC quotas for other fish species, including Greenland halibut, have still not been completed.

Our foreign staff writes: The British trawling industry has reacted with dismay to the Norwegian ban. A statement by the British Fishing Federation said that it came as a "severe blow" to the Humber ports of Hull and Grimsby, the west coast port of Fleetwood and, to a lesser extent, Scotland's major deep sea port at Aberdeen.

Some British trawlers would certainly be laid up in the next two months as a result, including some big freezers which can now operate only in the north-east Arctic because of quota restrictions everywhere else.

The statement also claimed that the Norwegian action would lead to a diversion of effort to the areas around Bear Island and Spitzbergen where Norway has announced a fisheries protection zone and a standstill on fishing activity. If the standstill is not observed, it is feared that the Norwegians will carry out their threat correspondingly to reduce EEC quotas in the Norwegian 200-mile limit in the last quarter of the year.

Distribution

Robin Reeves writes from Brussels: Common Market member governments have asked the European Commission to complain formally to the Norwegians that the fishing quota granted to the Community is too low.

But the signs are that all the Community can expect for the remainder of the year, from September 1, is a cod quota of about 20,000 tonnes for distribution among the U.K., German and French fishing fleets.

There is also a danger that even this may be reduced, should Oslo decide that the British North Sea herring ban justifies a cutback in the fishing which Norway is prepared to offer the Community in exchange.

On the share-out of the EEC's Norwegian quota, the Commission was proposing, before the Norwegians announced that the eight-month quota was anyway exhausted, that British vessels should get 73 per cent. of the cod quota and a little more than half the quotas for most other species.

Meanwhile, the Commission and the Irish government have told the European Court that they wish to continue their discussions on seeking a Community-agreed solution to Dublin's unilateral conservation ban on all large fishing vessels within 50 to 100 miles of the Irish coast, until July 9.

Unlike Britain's unilateral herring ban, formal approval of which is expected later this week, the Commission believes that the Irish ban is discriminatory. Ireland disagrees.

In the absence of an agreement between the two parties, the Commission says it will ask the Court to order the Irish government either to amend the conservation measures, or insist on the ban being lifted, with a view to its eventual replacement by other conservation measures, to be worked out later if necessary.

EEC wants to scra Italian steel plan

BY DAVID BUCHAN BRUSSELS, Ju

THE EEC Commission has asked the Italian Government to scrap its plan to build L500bn. steel complex that would create 7,500 jobs by 1984 in the depressed southern region of Calabria, on the grounds that it would create surplus production in a sector where there is severe overcapacity already.

In a letter last week to Sig. Carlo Donat-Cattin, the Italian Industry Minister, Viscount Etienne Davignon, the EEC Industry Commissioner, said that the Commission would help finance alternative projects.

The wider significance of the Commission's request—which is thought likely to provoke a political row in Italy—is that for the first time Viscount Davignon has taken a concrete step towards his declared aim of rationing a new steel investment.

The 1.5m. tonnes of steel that the planned steel complex at Gioiatauro (to be built for the Italian state steel company, Italsider) would produce annually is considered too high for the general health of the industry.

There is still some hope here that the force of this argument may be seen in Rome. However, if persuasion fails the Commission theoretically has the power to forbid state aid to steel.

But Viscount Davignon's move was made over the protests of one of the Italian Commissioners in Brussels, Sig. Antonio Giolitti, the former Socialist politician, and now Regional Affairs Commissioner. The Gioiatauro plant was promised by a Socialist minister in the aftermath of the regional riots in Calabria in the early 1970s. Sig. Giolitti is thought to have protested partly for political reasons and partly because he considers th Industry Commission stepped beyond his portf promising EEC aid for tive projects.

Meanwhile, the Com has decided to expand its term programme to h steel prices by adding tw products—hot rolled coil hoops—to the six produ which it has already set tive minimum prices.

Officials say that com accounting for 90 per c the production in these had agreed to respect the tive or non-compulsory pr

The Commission has a cided to increase these probably in September. expected to be welcomed British steel industry whi complained that the low the indicative prices was as a drag on the market.

There is also satisfactio that the compulsory mi price for reinforcing ba in early May has been ally respected. Only sli panies in the Communit ignored it, and official none of the offenders are importance in the indust

On the external front, mission officials to-day only respond to the Aus Prime Minister's week-end to restrict supplies of unless the EEC dropped mand that Australia cut it exports to the Communi detailing the rise in the shipments. In 1974, Au exported 8,000 tonnes of fi steel to the EEC, in 1975 tonnes and last year tonnes. Of particular con the imbalance in this tr which 220,000 tonnes of lian steel in the last yea to one country, Italy.

REGULATING EUROPEAN WATERWAYS

Back to the drawing board

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE EUROPEAN Court has vetoed an EEC scheme [illegible] owners of barges and other vessels plying continental waterways for laying them up. While declaring this particular project to be incompatible with the EEC Treaty the Court in effect substantially increased the powers of the Commission and Council to undertake international commitments and to participate in creating new international bodies.

A similar arrangement has been operated for oil tanker barges by a private agreement of about 90 per cent. of all shipping companies in the carrying along the Rhine. This private capacity cartel has the support of the oil industry and claims to have cleared its operation both with the West German Cartel Office and the Competition Department of the EEC Commission in Brussels.

Freight traffic on the Rhine has almost quadrupled since 1950 but the recession has created some overcapacity. The other operators would like to have a laying-up scheme, similar to the one operated by the tanker owners. Not everybody, however, seems to be convinced that it is necessary to establish a costly bureaucratic international body for this purpose, such as the Commission proposed. Some may be even pleased by its rejection in Luxembourg, hoping that it will open the way to a cheaper solution.

The Court did not object to the scheme because of its clearly anti-competitive character. It did not consider the possibility that the proposed arrangement might be a cloak for a private capacity cartel.

What the Court did dislike was that the member states directly interested in shipping on the Rhine and the Moselle were to have a greater say than other members of the Community, and that the Commission contented itself with the role of non-voting chairman. These arrangements, however, appeared to be quite acceptable to the other members with no direct interest in the scheme, namely Denmark, Italy and the U.K. Ireland even expressed the wish not to be represented on the supervisory Board of the proposed organisation.

The European Court found that giving some members a greater power of decision making than others would have been contrary to the doctrine of "common action." For this reason it declared the Draft Agreement on the Establishment of a European laying-up Fund to be incompatible with the EEC Treaty.

The Court vetoed the agreement. Yet its opinion must please Brussels. The Court strengthened the authority of the Commission and the Council by declaring that a power of the Community to enter into international commitments may be implied in the EEC Treaty. That was the case whenever it is necessary in order to attain a specific objective for which the Treaty gives Community institutions powers to act within the internal system of the Community.

In particular, the Court said, the power of the Council to lay down "any other provisions" for purposes of a common transport policy [which it has under EEC Treaty Article 75(1)(c)] entails the power to conclude contractual relations with a non-member country, to co-operate with that country in setting up a public international institution, and to transfer to it decision making powers.

While the Commission intends, as Mr. Raymond Vouel, the Commissioner for Competition, stated in the European Parliament on September 15, 1976, to extend the rules of competition to sea and air transport, its policy for inland waterways, as the proposed arrangement shows, clearly aims at eliminating competition. Though direct fixing of minimum freight rates was not part of the proposal, the maintenance of rates at a level profitable for the less efficient carriers was clearly intended.

Contributions to the fund were to derive from a levy on the operating vessels and the whole arrangement was essentially a capacity cartel of carriers camouflaged as an intergovernmental "public institution" in order to escape Article 85 of the Treaty.

The purpose of the Agreement was to introduce a system for the temporary laying-up of a part of the carrying capacity available on continental inland waterways in return for financial compensation to those carriers voluntarily withdrawing vessels from the market for a certain period. The temporary withdrawal of tonnage was intended to prevent excessive competition and a consequent slump in freight rates.

The essential framework of the proposed system was the "European laying-up fund for inland waterway vessels," an international public institution with a Supervisory Board, a Board of Management and a court called Fund Tribunal. The Supervisory Board was to have consisted of one representative from each of the member States, with the exception of Ireland, one from Switzerland, as well as one from the Commission to act as non-voting chairman. Except where the Statute provide otherwise, the Board would have taken decisions by a simple majority of the votes cast, including the affirmative votes of at least three of the following: Belgium, Germany, France, the Netherlands and Switzerland.

The Statute further provided that the Board of Management would consist of four members each for Germany and the Netherlands, two members each for Belgium, France, and Switzerland, and one member for Luxembourg. Each member was to have one vote. Decisions were to be taken by a two-thirds majority of the votes cast.

In its rejection of the scheme the European Court has established important guidelines which the Commission and the Council will have to observe when entering into similar international commitments. The significance of these guidelines can be better assessed against the background of the far-reaching powers with which it was proposed to provide the new organisation.

According to the Statute, decisions of the organs of the Fund having general application were to be binding in their entirety and directly applicable in all member States of the European Economic Community, and in Switzerland". The European Court concluded that there was no need for it to decide whether Community organs were entitled to transfer to outside bodies such far-reaching powers, since the powers of the Fund would be "only of an executive nature." The Fund Tribunal was to be given jurisdiction to make preliminary rulings concerning the interpretation of the Agreement and of the Statute, and concerning the validity and interpretation of decisions taken by the organs of the Fund. In this connection it should be noted that the European Court rejected the proposition that its judges should sit on the Tribunal as they might be called upon to judge the same case twice in two different courts.

According to the E.C. Commission it would have been possible to introduce the scheme autonomously by a means of a regulation adopted under Article 75 of the Treaty, if it had not been considered necessary to make Switzerland a party to the system in order to make it effective. Accordingly, a draft agreement was negotiated between the Commission and Switzerland, with the participation of those member states which are parties to international agreement concerning the navigation of the Rhine and the Moselle. It was initialled on July 9, 1976. On September 15, 1976, the Commission asked the European Court to give its opinion whether the draft was compatible with the EEC Treaty. The answer it has received will oblige it to renegotiate the entire project.

The European Court found that giving some members more say than others would be contrary to the doctrine of common action—though the arrangements appeared acceptable to those with no direct interest. . .

Britons want to be alon

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONI

BRUSSELS, July

FRESH EVIDENCE of growing British disenchantment with the Common Market is contained in a newly-published opinion poll conducted by the European Commission, which finds more Britons against EEC membership than for it.

Paradoxically, those favouring direct elections to the European Parliament heavily outnumbered those against. More than two-thirds of those polled say they would definitely or probably vote in the first direct elections.

The poll is the latest in the Commission's series of "Eurobarometer" surveys, which test public opinion in all nine EEC countries and was taken in April and May. It finds that 35 per cent. of the British believe EEC membership to be a good thing, while 40 per cent. believe it a bad thing and 22 per cent. are undecided.

This is the first time that the poll has found critics of the Common Market to be predominant in Britain and represents a significant shift in opinion since the last survey in November, when 39 per cent. said they were in favour and cent. against.

The only other country disapproval runs anywhere as high is in Denmark, opinion is split 30 per cen and 30 per cent. against, further 30 per cent. unde In the Community as a 57 per cent. approve and 14 per cent. are against.

The percentage of those U.K. favouring direct ele has, however, risen to cent. from 57 per cent months earlier. The inc appears to have come en from those previously decided, since the perce of those against has rem at 22 per cent.

The survey also finds th Britain 47 per cent. defi plan to vote in the election that a further 26 per cent likely to do so. This com total of 73 per cent. is h than in Belguim, Denmar Germany and close to the munity average of 74 per

In the U.K., 21 per cer the sample said they definitely or probably not

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Doubts cast on Carter's long term economic goals

BY DAVID BELL

WASHINGTON, July 4.

TWO INDEPENDENT reports issued over the week-end cast doubts on the ability of the Carter Administration to meet its economic targets by 1980 and suggest that it may prove very difficult to cut both inflation and unemployment as Mr. Carter has promised.

Meanwhile, the National Association of Purchasing Agents, in its latest survey of the nation's corporate buyers, reported that they consider that the economy continued to grow at a healthy, if slightly slower, pace last month. The agents reported that there were now clear signs that the rate of inflation was moderating and 10 per cent. of them said that they were actually paying lower prices for their goods than in May.

However, the agents also supported other recent surveys which suggest that there is no real sign of an upsurge in capital spending. Mr. E. F. Andrews, who is in charge of the agents' survey, said that because "the long-hoped-for pickup in new capital spending is just around the corner," some of the agents surveyed are beginning to talk in terms of "future shortages."

At the moment, however, the agents believe that the employment picture is continuing to improve and that there are no immediate signs of shortages of raw materials or other key supplies. In the past, the purchasing agents have proved reliable as a guide to the economic situation and their relative optimism will no doubt be welcomed by the Carter Administration.

The two reports issued this week-end, on the other hand, make less encouraging reading. In the first of them—both are published by the influential Brookings Institution — Mr. George Perry argues that the Carter Administration will be extremely lucky if it meets its twin targets of a 4.5 per cent. unemployment rate and a 4 per cent. inflation rate by early 1980.

Mr. Perry argues that meeting these objectives would call for an unprecedented growth rate of an average 5.7 per cent. over the next four years. "I'm not saying that it's not do-able, but it's at the optimistic end of a range," he said. Mr. Perry's scepticism echoes similar doubts recently expressed by both the Congressional Joint Economic Committee and the Congressional Budget Office.

The second report—by Prof. Robert Gordon of Northwestern University—concludes that Mr. Carter's aim simultaneously to reduce unemployment and cut inflation is "inconsistent." The report says that the outlook for the next few years is not encouraging and that the only way to reduce inflation would be to allow unemployment to rise at the cost of a large loss in output. Otherwise, the report says, it is all but inevitable that the U.S. inflation rate will stick at around 6 to 7 per cent. for the next few years.

New round of talks on Belize

BY HUGH O'SHAUGHNESSY

THE BRITISH, Guatemala and Belizean governments meet tomorrow in Washington for a crucial new round of talks about Guatemala's claim to Belize in an atmosphere soured by a number of bellicose statements from Guatemala City.

The British legation to the Washington talks is being lead by Mr. Ted Rowlands, FCO Minister with responsibility for Latin America, the Belizean team by Premier George Price and the Guatemalan by Foreign Minister Adolfo Molina Orantes.

Guatemala claims Belizean territory as its own, alleges that Britain has defaulted on the fulfilment of the Anglo-Guatemalan treaty of 1859 and has lately been threatening to "reoccupy" the territory by force of arms.

Belize has received overwhelming support of members of the UN from Cuba to Fiji for its right to self-determination. Britain is willing to allow Belize to accede to full independence but is not willing to offer a unilateral defence guarantee that the Belizeans feel they want against the threat of armed action by Guatemala.

Whitehall has let it be known that it would be willing to participate in a multilateral guarantee if Belize could find other countries willing to commit troops to secure Belize's borders after independence. The Belizean question is being monitored by a working party of Commonwealth countries set up at last month's Commonwealth Conference. Mr. Price has been working hard lobbying support for a multilateral defence guarantee but has so far not announced that any government is willing to participate in a multilateral military operation.

Britain, which is anxious to put an end to its colonial connections in Central America and the Caribbean, has in negotiations offered Guatemala help for a capital project which would be of use to Guatemala and which could be represented as being a *quid pro quo* for any failure to honour the spirit of the 1859 Treaty.

The affair has meanwhile been taking on increased political importance in Guatemala where the extreme Right-wing MLN or National Liberation Movement is using it as an issue in the run-up to next year's presidential election.

Since the Laugerud Government broke its defence pact with the U.S. following increasing criticism in Washington of the human rights situation in Guatemala, Israel has become an increasingly important supplier of arms. The cargo of arms seized from an Argentine registered aircraft in Barbados at the end of last month had been provided by Israel, which has already equipped the Guatemalan Air Force with Arava troop carrying aircraft.

Guatemala recently broke off diplomatic relations with Panama after General Omar Torrijos, the Panamanian ruler, gave strong support for the Belizean case. The Laugerud Government has not, however, broken with its large and powerful neighbour Mexico despite the latter's support for Belize.

Neutron bomb survives Senate

By Our Own Correspondent

WASHINGTON, July 4.

THE NEUTRON bomb, which relies on massive doses of unseen radiation rather than conventional explosive blast to kill an enemy, survived a close vote after a secret session of the Senate on Friday but its future remains very much in doubt.

Money for the development—but not necessarily the production—of the neutron bomb is included in an appropriations bill for the Energy Research and Development Administration. The U.S. army wants to continue research with an eye to installing the weapon on its lance missiles in Europe.

But the Carter Administration has insisted from the start of the neutron bomb controversy that it was not aware money for its development was in the energy bill and the President has let it be known that he has not yet decided whether to approve its continued development or its production.

Last Friday's Senate session approved by one vote money for the bomb but suspended the actual appropriation of it until Mr. Carter has issued a "Presidential impact statement" certifying that the weapon is needed.

Opponents of the neutron bomb said no money should be appropriated until the President has decided. Sen. Mark Hatfield, their leader, said the neutron bomb is particularly dangerous because it blurs the distinction between conventional and nuclear warfare.

Experts remain divided about the real usefulness of the neutron warhead. The massive doses of radiation it delivers will certainly be more than enough to knock out the enemy, but death would not be instantaneous and those affected would have time to counter attack before succumbing to it.

DESPITE POSTHUMOUS HONOUR FOR KING . . .

U.S. black community still fighting for civil rights

BY DAVID BELL

WASHINGTON, JULY 4.

PRESIDENT CARTER chose to-day—Independence Day—to award America's highest civilian honour—the Medal of Freedom—posthumously to Dr. Martin Luther King, the civil rights leader and Nobel Peace Prize winner, who was murdered nine years ago.

This fresh honour for Dr. King will not be enough, however, to still the growing concern inside the country's black community about the progress of the civil rights movement that he inspired and led so ably through the 1960s.

Mr. Benjamin Hooks, the new leader of the National Association for the Advancement of Coloured Peoples (NAACP), told its annual convention last week that America's cities would not "be calm forever" if the high rate of black unemployment and the crippling poverty connected with it are not dealt with by the new Administration.

Noting that Mr. Carter had promised to move "aggressively" to help blacks, who for their part had voted for him in record numbers, Mr. Hooks said that he had yet to see any evidence that Mr. Carter was going to deliver on his promise. "There is no doubt that at this point we are very disappointed in the President," he said.

Yet the problems which are currently worrying the black community are not all within the President's power to solve. Black leaders recognise that they have already won the easy battles even though they seemed far from easy at the time. Blacks have the vote and are beginning to have an influential political presence. The worst forms of discrimination have been outlawed and relations between the races, on the surface, are better than they have ever been.

But it may be that future historians will consider these problems insignificant in comparison to the ones that now face blacks. Two issues are now preoccupying blacks and whites. The first is bussing, a perennial problem which affects particularly the nation's largest cities. The Supreme Court, which ended its largest legal term at the weekend, has been much less willing to allow lower courts to impose city-wide bussing to promote school integration. It has brushed aside the old argument about de facto discrimination—that is discrimination based on neighbourhoods—in favour of a new one which says that bussing is only to be imposed if positive discrimination can be proved.

Conservative

Such discrimination is very difficult to establish and civil rights leaders have always argued that blacks will never have equal opportunity with whites until the racial balance of the school systems is improved.

The Supreme Court, under Chief Justice Earl Warren, supported this approach in the 1960s and early 1970s but the courts composition has changed and the nation's highest Bench is now notably more conservative. That has been reflected in decisions about abortion, bussing, and other matters of importance to black people.

The second and potentially the most important case concerning blacks, however, is one on which the Supreme Court has yet to rule. It concerns a California student who applied to enter a medical school and had all the right entrance qualifications. His application was rejected because the University of California Medical School operated a quota system under which some 16 places were reserved for blacks.

Mr. Allan Bakke, the student, sued the university, arguing that he was unfairly treated because the university admitted blacks with lower qualifications than his as part of a policy of "reverse discrimination" to help blacks who might have had inadequate education. The university lost the case in California and has taken it to the Supreme Court.

This case is almost certainly the most important civil rights case to come before the court for many years and its outcome may well turn on a new interpretation of the law provided by the court which civil rights leaders bitterly oppose.

Equally serious for the civil rights movement are the fissures that this issue has opened up between the movement and its erstwhile supporters. All through the sixties the Jewish community, for instance, lent much powerful support to the civil rights struggles. But Jewish leaders do not approve of reverse discrimination in college admissions.

For that matter, liberal Congressmen who could be relied on to support the movement are emerging as opponents of bussing when it is children in their own districts who have to be transported. Organised labour, faced with mounting opposition from its white members, who find that their seniority means less than they thought, is no longer providing the help it once did.

Schools, jobs and housing—these are the three areas in which the civil rights battles of the next few years are going to be fought. Many black leaders are already convinced that because these are areas which affect so many white people it will be a far more difficult battle to win than the struggle for the vote.

Indeed, many leaders believe that the whole movement may have peaked already. "I feel like a driver in a car that is going backward at a mile a minute," said one civil rights leader last week-end. He added: "At that rate, sooner or later it's going to crash."

Canadian route likely for Alaska gas pipeline

By Stewart Fleming

NEW YORK, July 4.

SEVERAL U.S. Government agencies have released reports on proposals to bring Alaskan gas to U.S. markets. Their conclusions tend to favour either of two routes or pipelines passing through Canada, rather than a proposal for a pipeline to follow the existing trans-Alaskan oil pipeline.

Alaskan gas reserves are related to the oil, which is now passing through the trans-Alaskan line for the first time, and in which British Petroleum and its U.S. associate Standard Oil of Ohio have a major stake. With the completion of the oil pipeline, pressure is building up for decisions to be made, in order to bring the gas from the Prudhoe Bay oil field to market. It has been estimated that the reserves of gas believed to exist in Alaska's Arctic north could contribute up to 5 per cent. of U.S. gas consumption in the early 1980s.

Three groups have submitted proposals which are being considered by the U.S. and Canadian Governments. There have been growing signs that the least favoured will be a proposal by the El Paso Company for a pipeline following the route of the oil pipeline all the way through Alaska. But this would involve liquefying the natural gas so that it can be transported by tankers from Valdes in southern Alaska to the U.S. markets.

Two other proposals would involve routes through Canada. One developed by the Northwest Pipeline Corporation follows the oil pipeline down to Fairbanks, Alaska, before cutting across to Western Canada to Calgary. The other proposal by the Alaskan Arctic Gas Pipeline Company cuts across north Alaska and Canada to the Mackenzie Delta and then south to Edmonton.

The alternative trans-Canadian route, through the Mackenzie Delta, is running into strong environmental objections, partly because it goes through the unspoiled Arctic National Wildlife Range in Alaska.

CONTRACTS AND TENDERS

Atomic reactor close-down cost problem

A coalition of public interest groups said yesterday that it wants the Nuclear Regulatory Commission to make utility companies pay in advance for decommissioning atomic reactors rather than burden future generations with the cost of abandoned radioactive plants, UPI reports from Washington.

Studies by the nuclear industry have shown that, after the estimated 40-year operating life of an atomic power plant, it would take up to 500,000 years of radioactivity in some parts of the reactor to fall to acceptable levels. If the NRC grants the request, a spokesman for the coalition said, it would raise the price which consumers must pay for electricity generated by nuclear power. De-commissioning costs have been estimated at up to $30m. per reactor.

Mexico jail protest

About 10 0US. inmates of the Santa Marta prison in Mexico City celebrated the July 4 U.S. holiday with an attack on President Carter for failing to get them released, UPI reports from Mexico City. The prisoners charged that Mr. Carter has ignored their charges of torture and mistreatment while under arrest. A treaty signed by the U.S. and Mexico in November, which is awaiting U.S. senate ratification, would allow some 600 Americans in Mexican prisons to return home to serve their terms.

Haitian murdered

Two gunmen who shot dead the Haitian ambassador to Brazil told police that they were hired as assassins by the first secretary at the embassy, Reuter reports from Rio de Janeiro. But the first secretary, M. Louis Robert Mackenzie, was quoted by a local news agency as saying that he knew neither of the killers. He denied any involvement in the murder. Police said that the ambassador, M. Delorme Mehu, was shot in the back as he left a hotel bar in the north-eastern city of Salvador on Sunday night.

Huey Newton held

Mr. Huey Newton, former leader of the Black Panther Party, returned to California from exile last night and was taken to jail on murder and assault charges dating back to 1974, Reuter reports from San Francisco. Mr. Newton, who fled the U.S. for self-imposed exile in Cuba, was arrested and taken to jail in Oakland, near here, where legal proceedings against him will be resumed. Mr. Newton was mobbed by several hundred supporters at San Francisco Airport, and told them: "I have returned to continue my commitment to work for progressive change in our society."

Canadian unity

Mr. Pierre Trudeau, the Canadian Prime Minister, will announce today plans for a special commission to study national unity, our Ottawa correspondent writes. The mandate of the commission and the names of its top officials will be announced as Mr. Trudeau opens a two-day debate on national unity in the House.

OVERSEAS NEWS

OAU SUMMIT IN GABON

Nigeria seeks to mediate disputes at OAU summit

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

IN AN apparent attempt to soften the growing conflict between so-called moderates and radicals in the Organisation of African Unity, Nigeria, the continent's giant, has proposed the creation of a special commission to resolve disputes between member states.

Tensions between its 49 members continued to be the main feature of the OAU's 14th summit, due to end to-day in the Gabonese capital of Libreville. In the latest of a series of disputes, Lt.-Col. Mengistu of Ethiopia yesterday alleged that Sudan was "trying to foment instability and subversion in northern and north-west Ethiopia."

"The frequency and sheer number of intra-African quarrels now constitute such an ominous and undesirable development that there is a real threat to peace and harmony in our continent," Gen. Olusegun Obasanjo, the Nigerian head of state, told the conference.

"Such desperate situations call for desperate measures," Gen. Obasanjo said, in support of his call for an OAU standing committee of between five and seven members to adjudicate on intra-African quarrels.

The Nigerian call for Africa to resolve its disputes peaceably was one of several on the same theme. But — in addition to the already aired quarrels between Ethiopia and its neighbours, Chad and Libya, and Zaire and Angola — Mauritania yesterday charged that "Algerian mercenaries" had been responsible for an attack on Nouakchott, the Mauritanian capital.

According to reports from Paris, guerillas of the Polisario movement — which contests the occupation by Mauritania and Morocco of the former Spanish Sahara, and is backed by Algeria — shelled Nouakchott on Sunday night.

One report said that the attack was aimed at the President's house, and that three Mauritanian soldiers were killed.

Polisario, which, in deference to Moroccan wishes, has been banned from the Libreville summit, yesterday published an open letter to the OAU calling for "formal accusations against Morocco and Mauritania."

It was not clear last night whether the summit would accept the Nigerian call for a "mediation" commission, nor whether, on southern Africa, other Nigerian attempts at mediation would be successful.

In particular, Nigeria has been attempting to discover a formula which would prevent outright OAU recognition of the Rhodesian nationalist Patriotic Front, but at the same time encourage unity between the various nationalist movements.

All four nationalist groups are represented in Libreville, and all have been acrimonious in denunciations of the others, with, for example, Mr. Joshua Nkomo, joint leader with Mr. Robert Mugabe of the Patriotic Front, describing Bishop Abel Muzorewa of the African National Council as a "louse." The lion (Mr. Ian Smith) had to be killed before the louse, Mr. Nkomo said.

For his part, Mr. Mugabe has poured cold water on the latest U.K.-U.S. initiative on Rhodesia. "We have no expectations of anything new," he told a news conference at the week-end.

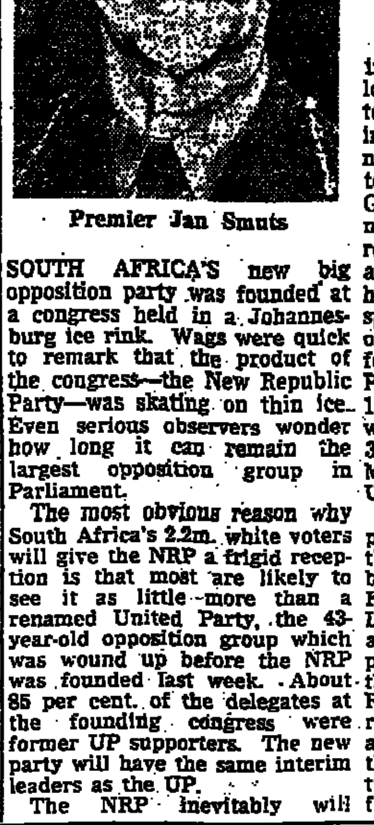
Meanwhile, Mr. John Graham of the British Foreign Office and Mr. Stephen Low, U.S. ambassador to Zambia are to meet in Lusaka to-day to begin another round of consultations on proposals for an independence constitution for Rhodesia. They will prepare for a visit later this month, or in early August, by Dr. David Owen, the British Foreign Secretary.

Reuter adds from Nairobi: President Idi Amin of Uganda, now in Libreville, has told Dr. Munyua Waiyaki, the Kenyan Foreign Minister that Uganda is willing to co-operate with Kenya to save the East African Community from total collapse, the official Kenya news agency reported here to-day.

According to the KNA report, President Amin briefed Dr. Waiyaki on his meeting in Kampala on Saturday with Tanzanian Vice-President Sheikh Aboud Jumbe, which preceded the signing of an agreement between Uganda and Tanzania to continue to operate the East African Community.

President Amin expressed appreciation that Kenya was continuing to provide transit rights for Ugandan goods through the port of Mombasa.

President Amin told Dr. Waiyaki that President Nyerere of Kenya had now agreed to convene a meeting of the authority. President Amin suggested that it should be held in Nairobi. He asked the Kenyan government to agree to this.

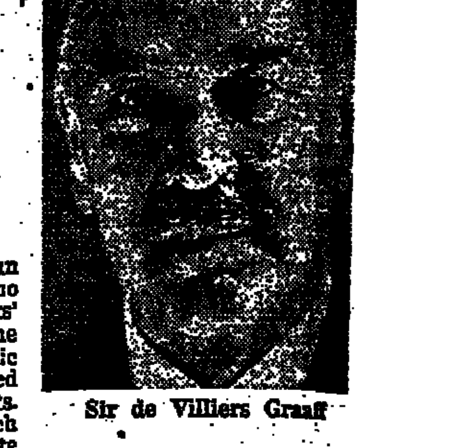


Premier Jan Smuts

S. AFRICA'S NEW PARTY

Inheriting the image of a long-time political loser

BY BERNARD SIMON IN JOHANNESBURG



Sir de Villiers Graaff

SOUTH AFRICA'S new big opposition party was founded at a congress held in a Johannesburg ice rink. Wags were quick to remark that the product of the congress—the New Republic Party—was skating on thin ice. Even serious observers wonder how long it can remain the largest opposition group in Parliament.

The most obvious reason why South Africa's 2.2m. white voters will give the NRP a frigid reception is that most are likely to see it as little more than a renamed United Party, the 43-year-old opposition group which was wound up before the NRP was founded last week. About 85 per cent. of the delegates at the founding congress were former UP supporters. The new party will have the same interim leaders as the UP.

The NRP inevitably will inherit the UP's image of a loser, trying hard to be all things to all men and crippled by internal squabbles. It is worth noting that since the Nationalists toppled Field Marshal Smuts' Government from power in 1948, nearly 100 of the UP's public representatives have broken away to join other groups. There have been at least four major splits within the party, including one in 1959 which led to the formation of the small but vocal Progressive Party. When the 171-member House of Assembly was prorogued last month, only 30 of a total of 48 opposition MPs were to be found on the UP benches.

The mere formation of a new party is unlikely to put a stop to the in-fighting. Even the NRP's birth was marked by dissension. First, a group of six MPs of the Left-wing of the UP refused to accept the dissolution of the party and sought a merger with the more liberal Progressive Reform Party. Then a major row erupted about the choice of an NRP leader. The election of the current leader of the opposition, Sir de Villiers Graaff (the former UP leader who only intends to hold the post temporarily) was strongly opposed by younger delegates, mostly former Nationalists, who favoured a virtually unknown Pretoria University physicist, Dr. Johan Prins.

Dr. Prins' supporters were mostly members of Mr. Theo Gerdener's Democratic Party, which has also been disbanded to become a part of the NRP. Mr. Gerdener himself is a former Nationalist cabinet minister. The inclusion of his party in the NRP is of no great significance: the Democratic Party has never won a parliamentary or provincial council seat and was described by the Johannesburg Star last week as a "raggle taggle group which cannot properly be described as a party."

However, the gloomy predictions of the NRP's future are based on more than its UP image and the past failures of its leaders. Though the oft-repeated prediction of Mr. John Vorster, the Prime Minister, that any political party not dedicated either to total racial integration or full-blooded apartheid is doomed to founder, is a gross over-simplification, it is probably true that no single party can accommodate those whites who support neither the Nationalists' segregationist policies, nor the qualified franchise and economic integration of blacks proposed by the Progressive Reformists. The centrist group includes such divergent groups as Free State Farmers and English-speaking businessmen and blue-collar workers. A middle-of-the-road party, which the NRP claims to be, cannot offer a sufficiently appealing or well-defined policy to appeal to all these groups simultaneously.

Not surprisingly, the party has opted for a policy so blurred that few understand it. Mr. Gerdener for instance, talks of a "confederal federal system." Sir de Villiers Graaff says the NRP will strive to be a "moderate white party" which will not move too far either to the right or to the left. According to him the new party will stress the right of individuals and groups to protect their own identity "by choosing with whom they wish to live and associate, and by fostering their own language, religion and culture, naturally without prejudice to others."

In addition, even though may not be doing much ab them, many of the party's p ciples are already espoused the Government—for instan moving away from racial crimination, maximum self for each racial group, closing wage gap, and the provision equal educational opportuni self noted: "There is noth revolutionary in these sug tions." It is difficult to Nationalist voters (much more liberal ones) be attracted by them. In any c as most observers recognise, future of South Africa is be determined not by interact between the Government and white opposition (whoever it be), but by pressures f abroad and the demands blacks within the country.

Janata likely to lose poll in Kashmir

SRINAGAR, July 4.

FIRST RESULTS in state assembly elections in the strategic north Indian State of Jammu and Kashmir to-day indicated almost certain defeat for the nationally ruling Janata Party.

The first five seats declared in Kashmir went to the National Conference Party of former Chief Minister Sheikh Mohammed Abdullah. In the Jammu region, the Congress Party won two of the first four seats declared and the other two went to independents, one of them a Janata party rebel.

Unofficial reports from counting centres here said the National Conference was leading in about 20 other constituencies in the Kashmir valley and appeared set for a landslide victory in this part of the State.

The Himalayan State is split into three regions with 42 seats at stake in Kashmir, 32 in Jammu and two in Ladakh.

Defeat in Jammu and Kashmir would be a major setback for the Janata Party, headed by Prime Minister Morarji Desai, which came to power in New Delhi in March.

It won seven out of 10 states in assembly elections spread over north central and south India last month, crushing the Congress Party its main national opposition. But it has not so far been able to defeat any of the country's strong regional parties.

Reuter

Bhutto accuses opposition

RAWALPINDI, July 4.

MR. Z. A. BHUTTO, the Pakistani Prime Minister, has accused opposition leaders of going back on an agreement to hold new general elections in October.

He told a news conference last night that, although the agreement reached on Saturday was supposed to be final, the nine-party opposition National Alliance now wanted to raise ten new points.

One of the opposition leaders, retired Air Marshal Asghar Khan, had refused earlier to say whether the opposition accepted or rejected the agreement. He said there were doubts whether its terms met opposition demands for safeguards to ensure fair elections. "The Government may wish to meet the Alliance again, and we shall have to see whether this would be fruitful," he added.

But Mr. Bhutto told the news conference, "there are great divisions in my Government about reopening the agreement." The pact, under which the army and judiciary would supervise the new elections, was worked out in four weeks of negotiations.

The opposition Alliance, which claims that earlier elections on March 7, which the Government won, were rigged, presented its final demands last week, but Mr. Bhutto persuaded its negotiators to accept some changes.

Asghar Khan said the the opposition was unanimous in its views about the agreement. It was maintained that the pact must be endorsed by the leaders of all nine Alliance parties before it can be signed.

● In Lahore, at least six people were injured during a violent clash in the city centre between Government and opposition supporters, police said to-day.

The two sides used knives in a fight last night which flared after supporters of the ruling Pakistan People's Party tried to raise their flag over a building occupied by National Alliance Workers. Two PPP workers were in hospital with serious stab wounds.

Reuter

Artillery battles intensify in southern Lebanon

BEIRUT, July 4.

PALESTINIAN GUERILLAS and their Lebanese left-wing allies traded artillery and mortar fire with Israeli-supported Christian militiamen in South Lebanon to-day, according to civilians escaping from the fighting.

"Artillery duels are intensifying between (the right-wing town of) Marjayoun and (the left-wing Palestinian stronghold of) Khiam," a South Lebanon villager told reporters in Hasbaya, eight miles north-east of Marjayoun.

Other reports from the South Lebanon war zones said both sides seem to be reinforcing their positions in preparation for a major military offensive.

The increased artillery battles came after a five-hour weekend attack by right-wing militiamen and the brief occupation of the border village of Yarin.

The house-to-house battle left some 20 villagers dead and reduced Yarin—a Moslem village—into a ghost town as thousands fled in panic, witnesses reported.

The right-wing occupation was brief, as pro-Palestinian leftwingers re-took the town, 500 yards from the Israeli border, a few hours after the invaders captured and quickly abandoned it on Saturday, eyewitness reports said.

Eyewitnesses contradicted reports from both Christian rightwing spokesmen and Palestinian officials that a battalion of Israeli troops had taken part in the assault. One witness said: "The Israelis were pounding Yarin with artillery from across the border, but did not cross over."

However, spokesmen for both sides stood by their reports on direct Israeli troop involvement. Israel has denied the allegations.

The latest flareup in the daily fighting in the South, where Lebanon's bloody 19-month civil war began, underscored the contradictions and uncertainty of the truce imposed by a Syrian-dominated Arab League force late last year.

UPI

Ihsan Hijazi adds: Under a new law all publications will be subject to scrutiny by the Ministry of Information.

The new law, which revises and supplements a 15-year-old, one provides for stiffer punishments for editors and writers in cases of libel or printing false news or misinformation. More important, a newspaper can be suspended altogether if it is proved to have been receiving foreign subsidies to undermine national security or interests.

Every publication in the country must now submit its accounts to the Ministry of Information twice a year for examination to ensure that its income is legitimate. If the books show a reasonable deficit a publication will be given a grace period of six months to straighten up its finances. If, however, the deficit is more than two thirds of the publications assets, it will be suspended immediately.

Sadat and Hussein to meet soon

BEIRUT, July

PRESIDENT Anwar Sadat Egypt and King Hussein Jordan are to meet following former's return from a visi Morocco, the Cairo daily Ahram reported. President Sa is to spend two days in Moro at the end of the Organisa of African Unity summit rently under way in Librevil

The meeting, which is to t place at President Sad summer palace at Alexand will be the first between the men since their visits to W ington for talks with Presid Carter.

King Hussein is curre pursuing a series of cont with Arab leaders which has far taken him to Damascus talks with Syrian Presid Hafez Assad. He is expected visit Saudi Arabia for talks w King Khaled in the near futu

The Jordanian daily Destour reported to-day that Jordanian monarch is also to to Teheran soon for talks w the Shah of Iran, following visits to Cairo and Riyadh. discussion with the Shah cover relations between the countries and the Middle E situation, the paper said.

IPS

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Israel to curb public spending

BY L. DANIEL

JERUSALEM, July 4.

THE NEW Israeli Government is apparently sticking to its intention to cut governmental expenditure (and therefore deficit financing). The 1977-78 draft budget of I£122bn. (£7.4bn.) prepared by the previous Labour government was never approved by the Knesset and services have been operating on the basis of 28.7 per cent. of the total expenditure for the first third of the fiscal year.

The new Likud Government has now decided to allocate only a further I£22.4bn. for August-September, meaning that the total for the first half of the year will be only 44.2 per cent of total expenditure planned by the Labour administration. The slightly higher August-September allocations compared with preceding four months are due to bigger wage bills as a result of concessions made in the pre-election period.

At the same time, the Finance Ministry is getting down to preparing a new budget for the second half of the fiscal year. It has also been announced by the new Finance and Industry Ministers that they do not intend to take on new personnel in place of those becoming of pensionable age.

It remains to be seen what influence Prof. Milton Friedman will have on the new Israeli administration. The Nobel Prize-winning economist, who arrived here last night to receive an honorary doctorate from the Hebrew University, said that he was willing to devote all his free time during his stay here to meeting with Likud leaders, but did not intend to accept a permanent advisory position.

Reacting to trade union criticism here that his policy of arresting inflation would cause widespread unemployment, Friedman said that while he was no advocate of unemployment, he knew no way of slashing inflation without people losing jobs.

Japan buys Soviet cotton

WASHINGTON, July 4.

A SOVIET trade mission recently sold 92,000 bales of cotton to Japanese traders and in return the USSR is apparently buying synthetic fibres, fabrics, and apparel, according to the U.S. Agriculture Department.

In its weekly round-up of world production and trade USDA notes the USSR's share of the Japanese cotton market increased from 7 per cent. during 1966-71 to 14 per cent. in 1971-76.

U.S. Cotton exports to Japan in the 1975-76 season totalled 646,000 bales against 556,000 bales imported from the Soviet Union.

WORLD TRADE NEWS

BRITAIN'S LEADING EXPORTERS

Leyland, ICI and Ford stay on top

BY GEOFFREY OWEN

BRITISH LEYLAND, ICI and Ford have again filled the three top positions in the 1976 list of leading British exporters. With one exception the same companies which occupied the first ten places in the 1975 table have done so again, though in a slightly different order. The exception is Rolls-Royce, now in 13th place, while Unilever has moved up from 11th to 8th position.

Minor variations from one year to another do not, of course, indicate a significant loss of competitiveness. Where large contracts are involved, the pattern of deliveries is often uneven. What matters is the trend in exports over a period of years. In this context it is notable that over the three years from 1974 to 1976 EMI has moved from 98th position to 43rd and Acrow has gone up from 89th position to 61st.

Other companies which achieved significant gains last year include Vickers, Racal, De La Rue, Weir and J. C. Bamford.

This is the fifth year in which the Financial Times has published its list of leading exporters. It is based on figures for direct exports of manufactured goods, as stated in annual reports or obtained from the companies.

In interpreting the figures several qualifications need to be borne in mind. First, it is confined to manufacturing companies. Second, the figures relate, except where otherwise stated, to the financial year which ends in 1976. This may mean that a company whose financial year ends in March is at a disadvantage compared with one whose financial year ends in December.

For example, Courtaulds, whose exports in the 1976 financial year (ending in March) were unchanged from the previous year, achieved a spectacular increase in exports during the remainder of 1976; if a calendar year basis had been used, Courtaulds' figures would have been £374m. compared with £273m. in calendar year 1975. Similarly, GEC, whose financial year also ends in March, achieved exports of £478m. in the calendar year 1976.

Another oddity is the exclusion of Ever Ready, whose financial year ends in February. In the year ended February, 1976 this company's exports were £29.6m., thus not qualifying for inclusion in the 1976 list; but in the following year, ended in February, 1977, exports rose to £41.9m.

The only way in which this problem could be overcome would be for all companies to submit their figures on a calendar-year basis, which is probably not feasible.

Third, the figures for direct exports do not give always a fair indication of a company's contribution to the balance of payments. This applies particularly to the oil companies and to the metal refining companies.

British Petroleum points out in its annual report that the U.K. balance of payments benefited by £370m. in 1976 as a result of the group's North Sea activities. ICI notes that its direct imports in 1976 amounted to £325m. so that its net contribution to the balance of payments amounted to £497m. It would be helpful if more companies gave this information.

On the plus side of the account a number of companies have large earnings from overseas apart from their direct exports. For example, Rank Xerox in 1976 received royalties, dividends and other income from overseas amounting to £64m., almost as much as its direct exports.

Fourth, there are one or two cases where separate subsidiaries of the same parent company are shown separately. If Esso Chemicals and Esso Petroleum were put together, the company would have been in thirteenth place. If the three subsidiaries of General Motors had been combined — Vauxhall, General Motors Scotland (earthmoving equipment) and General Motors Ltd. (components) — the total would have been £248m., qualifying for twelfth place.

Finally, it is almost impossible in a list of this kind to avoid omissions and errors. It is hoped that these will be brought to our attention by the companies concerned.

THE TOP HUNDRED EXPORTERS—1976

Previous year's ranking is given in brackets

	1976 £m.	1975 £m.
1 (1) British Leyland	*897	589
2 (2) ICI	822	586
3 (3) Ford	632	452
4 (7) Brit. Petroleum	†613	278
5 (4) British Steel	448	386
6 (5) GEC	405	315
7 (9) Massey Ferguson	337	243
8 (11) Unilever	305	234
9 (6) Hawker Siddeley	299	247
10 (8) Courtaulds	‡285	285
11 (12) BAC	270	200
12 (13) IBM	240	178
13 (10) Rolls-Royce	235	200
14 (17) Inco Europe§	219	144
15 (15) Distillers	193	164
16 (23) Royal Dutch Shell	187	113
17 (16) Vauxhall	186	151
18 (28) Esso Petroleum	181	94
19 (24) BICC	165	112
20 (25) Philips	144.6	101
21 (19) GKN	143.9	119
22 (26) Dunlop Holdings	126	98
23 (21) Tube Investments	125	115
24 (14) Chrysler U.K.	123	170
25 (46) Conoco	117	48
26 (22) Texaco	115	114
27 (27) BAT Industries	112	96
28 (29) Lucas	112	92
29 (31) Caterpillar	99.7	85
30 (18) Tate and Lyle	98.5	123
31 (20) Johnson Matthey	[illegible]	[illegible]
32 (34) STC	95	[illegible]
33 (36) Glaxo	[illegible]	[illegible]
34 (33) Ciba Geigy	93	74
35 (30) Thorn	92.1	86
36 (37) Stone Platt	90.9	66.6
37 (35) Rank Xerox	90.8	68.7
38 (43) Michelin	90.5	60.0
39 (38) Burmah	81.7	66.1
40 (32) [illegible]	79.4	‡68.4
41 (44) Simon Engineering	78.3	59.5
42 (41) IMI	75.2	62.1
43 (47) Albright & Wilson	74.0	55.3
44 (49) Turner & Newall	71.8	54.6
45 (59) EMI	71.3	44.7
46 (39) ICL	70.8	66.0
47 (53) RTZ	69.7	52.3
48 (48) Plessey	69.1	55.0*
49 (62) Vickers	68.5	39.3
50 (100) Racal	*68.1	28.2
51 (51) Cummins	67.8	54.4
52 (42) Intl. Harvester	67.4	60.7
53 (58) BSR	67.0	31.9
54 (54) Eng. China Clays	65.8	51.0
55 (60) Kodak	64.35	44.7
56 (45) Associated Octel	64.34	57.8
57 (34) Gulf Oil	63.1	72.3
58 (50) Reed International	61.6	54.5
59 (55) Booker	60.5	50.9
60 (64) Monsanto	59.9	43.2
61 (68) Babcock & Wilcox	59.7	46.6
62 (46) Westland	59.1	55.5
63 (88) Esso Chemical	58.2	30.7
64 (77) [illegible]	57.4	34.3
65 (75) [illegible]	56.4	36.8
66 (52) John Brown	55.9	53.3
67 (66) S. Pearson	55.63	42.7
68 (69) Rothmans Intnl.	55.55	40.7
69 (63) Fisons	55.2	42.7
70 (65) Delta Metal	54.5	40.8
71 (—) De La Rue	*53.3	*36.8
72 (57) Reyrolle Parsons	53.1	47.1
73 (43) D. Brown Tractors	52.9	43.6
74 (72) Coats Patons	51.6	40.3
75 (61) Wellcome Found.	50.7	44.1
76 (71) Decca	49.1	40.4
77 (91) British Aluminium	48.7	30.2
78 (70) Beecham	48.0	40.4
79 (89) J. C. Bamford	47.5	30.4
80 (56) BOC Internatnl.	45.8	47.3
81 (79) Tootal	*45.1	34.1
82 (67) Molins	44.6	41.7
83 (94) Du Pont	43.9	29.8
84 (81) Grand Metropltn.	42.9	32.3
85 (—) Govan Shipbuilders	41.1	24.7
86 (84) Singer	41.0	31.8
87 (76) Sears Holdings	*39.9	36.0
88 (—) Alcan U.K.	39.8	18.2
89 (85) Rank	39.7	31.4
90 (80) Rolls-Royce Motors	39.62	33.1
91 (93) Associated Eng.	39.56	30.4
92 (—) Polaroid	39.0	26.5
93 (73) Ingersoll Rand	38.0	37.4
94 (—) Imperial Group	37.3	25.6
95 (—) Weir	37.1	20.7
96 (—) Guinness	36.1	24.7
97 (86) G. Cohen 600 Gp.	35.42	31.2
98 (90) Gestetner	35.36	30.3
99 (97) Illingworth Morris	35.3	29.4
100 (95) Hoover	35.0	29.6

* Calendar year. † Consisting of £500m. in oil products, £113m. in chemicals. ‡ In year ending March, 1977, exports were £405m. § Formerly International Nickel. ¶ Year ending January 31, 1977. — Not included in last year's list.

Soviets seek bids for gas stations

BY DAVID SATTER

MOSCOW, July 4.

THE V.O. Machinoimport Soviet foreign trade organisation has solicited bids for the construction of a number of gas compressor stations built around second generation lightweight aircraft derivative engines in what could prepare the way for billions of dollars in gas compressor contracts during 1981-85.

The Soviets have received bids from Cooper Bessemer Canada, offering the RB-211 Rolls-Royce engine and General Electric of the U.S. offering the LM-2500.

Bids have been solicited from Pratt and Whitney, with the FT-4, and the Clark division of Dresser Industries in the U.S., and Ingersoll Rand.

The contract for construction of the compressor stations, which are intended to serve as a pilot project for the use of the relatively untested second generation lightweight engines, is worth between $10m. and $20m. (£6-£12m.).

The potential value of the contract, however, is enormous because the Soviets are considering using the second generation lightweights along the new pipeline system in the next five-year plan.

The second generation lightweights have received relatively little industrial use, but they offer almost double the power of the aircraft derivative engines used for industrial purposes with only slight increase in weight.

The RB-211, for example, uses about 50 per cent. less fuel for the same amount of work as the Avon engine.

The £100m. contract for the stations was awarded last December in what was the largest contract in the history of Anglo-Soviet trade.

Russia has been cautious about buying Western technology which has been unproven in industry and the pilot project is seen as a way of obviating the time lag in employing the second generation engines.

It is believed that Russia will be able to reach the gas production plan target for the present five-year plan with existing technology, but all the increment in gas production is to come from West Siberia. The present plan calls for about 2,000,000 compressor units in 300 compressor stations.

If the increment in gas production of 150bn. tons is repeated in the next five-year plan the successful testing of lightweight second generation engines could open the possibility of the sale of the new engines to the Soviet Union on a vast scale.

Hitachi bid to improve Communist bloc ties

BY DOUGLAS RAMSEY

TOKYO, July 4.

HITACHI LTD. may be involved in informal talks with Soviet plant export authorities for possible joint tenders for third-country power plant contracts. Speculation about such discussions coincides with a report today that the U.S. has been lobbying against computer sales by the Japanese company to China.

Hitachi is expecting a final authorisation for its computer sales to the Chinese meteorological agency sometime this summer. The contract to supply three large computers (one M170 and two M160s) was signed last October, and Japan submitted the contract in February for approval by Cocom, the co-ordinating committee of Western countries which deals with strategic material sales to Communist countries.

Quoting informed sources, the daily Asahi Shimbun said to-day that U.S. authorities opposed the Hitachi deal with China at a recent Cocom meeting in Paris. Neither Hitachi nor the Foreign Ministry could confirm the report, but both pointed out that any such action would not be consistent with early statements by Carter administration officials in favour of easing controls on computer sales to the Communist bloc.

Meanwhile, Hitachi has been discussing ways of co-operating with Soviet plant exporters in a further bid to improve its standing in the Communist bloc. Mr. Shimai, the company's managing director, recently returned from Moscow after talks with Soviet trade authorities.

A Hitachi spokesman said today that "we have not received any formal offer or inquiry" from the Soviet side to collaborate on tenders for generating plant supplies to third countries, but he left open the possibility that Mr. Shimai had formal discussions on the subject during his visit. It is also understood that Hitachi's leading competitors in the generating plant export business—Mitsubishi heavy industries and Toshiba—have also been interested in collaboration with the Soviet state heavy machinery export authorities.

Interest in collaborating with the USSR apparently stems from a growing Soviet presence in the plant export business, and generally at prices well below those asked by Japanese or other Western bidders. Japanese companies are also keen on adding more Communist and pro-Soviet Third World nations to their roster of clients, and co-operation with Moscow could help.

As regards the deal with China, the Hitachi computers are large enough for use in strategic data-processing, notably for nuclear weapons systems, although China says it will use the machines for domestic weather-data processing. Japan's meteorological agency uses the Hitachi computers for the same purpose, and it is widely believed Peking signed the contract as a result of its joining the world meteorological organisation (WMO) last year.

Hitachi is confident that provisions in the contract for on-the-spot training over several years by Hitachi personnel will be a sufficient guarantee that China will use the computers for meteorology and not weapons data systems. It would be the largest Japanese computer export to the Communist bloc and would come as a boost to the industry, which is finding it difficult to penetrate American and European markets.

Austria, EEC move towards free trade

By Paul Lendvai

VIENNA, July 4.

DESPITE THE formal dismantling of tariffs on July 1 between Austria and the European Community, about 20 per cent. of their trade will still be subject to import duties.

Tariffs on so-called sensitive products, such as special steel, aluminium, and some metals, will be eliminated only by the end of 1979, and on paper and paper products as late as the end of 1983. Based on the figures for 1976, about Sch.176bn. (£6bn.) of the Sch.212bn. (£7.3bn.) worth of Austrian trade with the EEC will be freed of duties. However, there is a significant gap between imports (Sch.120bn.) and exports (Sch.56bn.) which are affected by the move towards a free trading zone between Austria and the Community.

A Government spokesman here predicted that the elimination of tariffs will lead to appreciable price reductions for household articles, shoes, sewing machines and colour television sets. Car prices, however, will be cut by only 2.5 to 3 per cent. The Treasury is expected to lose about Sch.5bn. in revenue because of the free trading zone.

Meanwhile, the main opposition People's Party is putting pressure on the Government to open negotiations with the European Community with regard to the sensitive items and also farm products, which are not subject to tariff cuts at all.

Romania to make Fokker jet

BY GUY HAWTIN

FRANKFURT, July 4.

VFW-FOKKER'S 614 jet passenger aircraft is to be produced in Romania for sale—both there and abroad. The German-Dutch plane maker signed a contract last week-end with the Romanian aircraft manufacturer, Grupul Aeronautic Bucuresti, which will lead to the establishment of a joint production enterprise.

The agreement was signed in the Romanian capital, Bucharest, by Gen. Vasile Bucur, director general of the Romanian aircraft industry, and Herr Cornelius Klapwijk, VFW-Fokker's chief executive. It is the largest co-operation agreement ever reached between Romania and a West German concern.

Agreement in principle to the deal was given by the Bonn Government on March 30 this year. The new joint venture will start off by concentrating on production of VFW-Fokker's 614 short-haul jet liner and its initial capital will be DM20m. (£4.94m.) —55 per cent. of which will be in Romanian hands, the remainder with VFW-Fokker.

First production plants foresee the construction of about 100 614s—47 of which are earmarked for the Romanian market, with the rest going for export. Initially, VFW-Fokker will deliver three 614s from its Lemwerder end production line to Romania.

After that, the German-Dutch partner will deliver components for assembly at an ever-decreasing rate while the Romanian joint venture gradually builds up its own production capacity. By the time the 31st aircraft in the programme is in production, it is planned that all components will have been manufactured in Romania and assembled by the joint-venture.

It is hoped that the deal will give the Romanian aircraft industry a needed shot in the arm and well as promote sales of the 614, which has, perhaps, not done as well as anticipated. VFW-Fokker have made it clear that they believe that the agreement will act as a sales incentive in certain markets and that it will have a "positive influence" on negotiations with a number of countries.

It is hard to put a figure on the value of the deal as production will run up to 1987 and its worth could be anything between DM1bn. and DM2bn. (£247m. and £494m.)—the latter figure is more likely than the former. It is further complicated by the likelihood that if the 614 programme is a success, the agreement could be extended to cover other of VFW-Fokker's technological products.

Small British companies take advantage of Japan Task Force

BY DAVID HOUSEGO, ASIA CORRESPONDENT

A SURPRISINGLY small number of inquiries from British industry have been received by the Japan Task Force—the high level ginger group set up by Japan and Britain last December in an effort to help British companies break into the Japanese market.

In its first five months of operation the Task Force has had about 60 cases referred to it, less than the Japanese had expected, though British officials say it is in line with their anticipations.

The British add that a great many more inquiries, generated largely through publicity about the Task Force, have flowed into organisations like the Export to Japan Unit.

Most of the cases referred to have come from small scale firms often seeking elementary marketing information. Answering them is time consuming for the Japanese trading companies in London and for the Japanese External Trade Organisation.

The organisation recently carried out a preliminary market research survey for a British furniture manufacturing company. This may produce dividends but the Japanese feel that many of the products that the Task Force has dealt with are unsuitable for the Japanese market or that the companies involved have not the weight to carry through a successful marketing campaign.

Reflecting their beliefs that penetration is gained by a massive onslaught in a key area (preferably backed by government support), the Japanese feel that the British effort is too diffuse. British officials, on the other hand, are keen to help smaller companies.

Some 15,000 firms are indirectly associated with the Task Force through their membership of the 49 trade associations who participated in setting it up.

The initiative arose during the visit here last year of the Keidanren (the Japanese equivalent to the CBI) and complaints by British industry at the "invisible trade barriers" to exporting to Japan.

Apart from the trading companies with offices in London, the Japanese side in the Task Force involves the External Trade Organisation and the Japan Chamber of Commerce, which has become an informal liaison office for the Keidanren. Britain is represented mainly through the Export to Japan Unit, the CBI and the Board of Trade.

One reason given by British officials why major companies are reluctant to refer particular cases of invisible trade barriers to the Task Force is the risk they run that a semi-public airing of their grievances could jeopardise their existing business.

Throughout the monthly meetings of the Task Force the Japanese side have been pressing the British to give chapter and verse of their complaints.

The British also say that though they have evidence of individual cases of discrimination, arguing each one through could lead to a sterile confrontation.

It also risks obscuring the wider British point that it is the structural obstacles within the Japanese economy and society that are to blame for the barriers.

Both sides agree that five months is too short in which to pass judgment on the Task Force. On the positive side they believe, however, that it is having a spin off in encouraging the Japanese trading houses to widen their purchases in Britain.

The trade statistics partly confirm this. British exports to Japan rose 40 per cent. in the first five months this year to £190m. Japan's exports rose by 58 per cent. resulting in a further widening of the trade deficit.

The Japanese believe the Task Force could most profitably devote its future efforts to promoting key products in the Japanese market such as whisky, biscuits or titanium and taking up the cases of large scale firms.

The British are looking for results in other activities of the Task Force such as visits by Japanese companies to British industries.

Japanese car manufacturers were pleasantly surprised recently by what they considered the good record of labour relations in the automobile components industry — which has boosted Britain's export hopes.

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Rail fares pegged for rest of year

BY JOHN LLOYD, INDUSTRIAL STAFF

BRITISH RAIL is to peg fares for the rest of the year, it announced yesterday that there would be no further general fare increases after the BR Board had seen the regular mid-year review of passenger traffic.

Precise figures are not yet available, but it is understood that they show a 7 per cent. increase in inter-city passenger traffic for the first six months of this year over the same period in 1976.

The decision means fares will remain unchanged for at least a year. The last increases, averaging 12.6 per cent. were made on January 2 of this year.

In a comment on the decision, taken immediately the encouraging trend in the review figures was noted, Mr. Peter Parker, British Rail chairman, said:

"In the light of the mid-year review of our current results, we believe we are on target to fulfil our contract with the Government without having to increase passenger fares this autumn.

"Rail travel is being increasingly regarded by our customers as good value for money. We hope this new measure of price stability will encourage all our passengers to increase their business with us.

"We believe that potential rail travellers will now find the attractions of British Rail that much stronger."

The announcement means that British Rail is confident of fulfilling the terms of its contract with the Government—to keep passenger operating costs within the limits of the £320m. annual grant.

British Rail also see their move in a wide context. There had been speculation in the past few days that nationalised industry prices might remain stable, to assist in the creation of a favourable climate for continued pay restraint.

In January, the Board pegged fares for the following nine months, and said a further decision would be made in the summer. Yesterday's decision means that traffic has risen faster than its earlier forecasts.

A spokesman emphasised that the Board considered pegging fares would boost passenger confidence, and build further on the encouraging trends in the review.

The announcement will come as a relief to commuters in the South-East, who were warned earlier this year that their fares might have to rise sharply once more.

South-Eastern commuters have seen their fares double in less than two years. They suffered three fare increases in 1975, and a further one in 1976.

Though the British Rail announcement covers all of its directly provided services—that is, all inter-city services and all services in London and the South-East—it does not apply to those regions of the country with their own Passenger Transport Executive.

These areas—Greater Glasgow, Greater Manchester, Merseyside, West Midlands, Tyne and Wear, South Yorkshire and West Yorkshire—contract with British Rail for a certain level of service. But the authorities' executives can set the fares themselves.

● London Transport fares are to rise by an average of 15 per cent. on July 17. This is to compensate for a reduction in the Greater London Council's subsidy to London Transport from 24 per cent. to 16 per cent. of its operating costs.

● Mr. Philip Satchwell, British Rail's Local Services Manager, said yesterday that British Rail lost between £6m. and £10m. a year in London and the South-East because of fare-dodging.

Chelsea plea for extra time to pay

Financial Times Reporter

CHELSEA Football Club, whose creditors last year agreed to suspend their claims for 12 months, said yesterday they had kept their head above water during the year — but were still asking creditors to be patient.

The club newly promoted to the First Division after two seasons in the Second were on the verge of bankruptcy last year but the creditors granted an informal 12-month breathing space.

The club's accountants have issued a letter to the 150 unsecured creditors asking for a further 12 months suspension of claims.

Receipts up

The accountants said in the letter gate receipts were up, economies had been made and the cost of terrace tickets had been increased.

The club forecast its profit before interest charges as £408,000. It intended to pay more than £165,000 owed in taxes, VAT, rates, and National Insurance.

But it could afford to pay only a quarter of the interest it owed to its bankers, and to a building company. That left nearly £300,000 unpaid.

John Curry and Lorna Brown, one of the eleven skaters from the John Curry Theatre of Skating II, on stage at the London Palladium yesterday during rehearsals for the new ice show which opens at the theatre to-day—the first time ice has been laid on the Palladium stage.

British Gas chairman rejects 'energy gap'

BY RAY DAFTER, ENERGY CORRESPONDENT

SIR DENIS ROOKE, British Gas chairman, last night dismissed "alarmist" predictions that *Britain is heading for a vast energy gap in the 1990s.*

"I believe that, properly managed, our primary energy resources in the shape of oil, gas and coal, and our developing nuclear industry can provide the country with the range of energy supplies that U.K. industry and consumers require for the foreseeable future."

The Gas Corporation was confident that offshore reserves would be sufficient to meet demand into the 21st century. Even so, the gas industry was developing technology for turning oil and coal into substitute natural gas which would continue to feed British gas consumers.

Sir Denis was speaking at the first National Technology Conference, held by the British Gas Corporation at Copthorne, Sussex.

"With conversion to natural gas virtually completed, we are laying the foundations for the future security of gas supply by developing the technologies which we may one day need to make substitute natural gas.

"We have managed to revolutionise industry, while remaining financially healthy, and we intend to keep in the forefront of the technology necessary to our business and to carry on being financially successful as well."

These comments indirectly touch on two areas of controversy at present surrounding Sir Denis and the gas industry.

First, his dismissal of a looming energy gap has been criticised by a number of industrialists and trade unionists in the energy industry, particularly those within the coal industry.

Second, the Gas Corporation's profitability last year is still the centre of a row between the corporation and the Price Commission which has claimed that British Gas made an excessive profit.

Sir Denis said the corporation maintained a substantial research programme, amounting in the current financial year to over £18m. There were five main gas research establishments employing over 1,500 staff.

Dr. John Cunningham, Parliamentary Under-Secretary of State, Energy, said that the biggest challenge facing the gas industry must be the eventual and inevitable decline in natural gas supply and its replacement by substitute natural gas.

Total reserves under contract to the Gas Corporation would support an average production rate of about 170m. cubic metres a day by the mid-1980s.

Further discoveries would probably prolong that level of production. But eventually the Corporation would have to become a substitute natural gas-based industry.

Jobs 'likely to cost £1m. each'

IT WAS likely to cost the taxpayer about £1m. for each permanent job created at two proposed petrochemical plants, a public inquiry was told in Dunfermline yesterday.

Mr. Anthony Pott, director of Esso Chemicals, said that Shell and Esso would receive 70 per cent. Government development grants.

The total cost of the Shell and Esso developments at Mossmorran and Braefoot Bay would be over £400m., of which £280m. would be paid by the Government in development grants—or about £1m. for each permanent job created.

Earlier, Mr. Potts said one of the reasons for investigating the possibility of siting the proposed Esso plant in Fife was the existence of a large reservoir of labour.

He admitted that skilled manpower in existing industries in Fife might be attracted to the new developments because of the wage scales and shift-work, with the possible disruption of existing industries.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on July 4, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate; no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (exC) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit	Value of £ Sterling
Afars & Issas ... Djibouti Franc	[illegible]
Afghanistan ... Afghani	[illegible]
Albania ... Lek	[illegible]
Algeria ... Dinar	7.06
Andorra ... French Franc / Spanish peseta	8.41½ / 119.76
Angola ... Kwanza	n.a.
Antigua (S) ... E. Caribbean $	4.64454
Argentina ... Ar. Peso Free Rate	[illegible]
Australia (S) ... Australian $	1.5675
Austria ... Schilling	[illegible]
Azores ... Portug. Escudo	66.12½
Bahamas (S) ... Ba. Dollar	1.7202
Bangladesh (S) ... Taka	[illegible]
Bahrain (S) ... Dinar	[illegible]
Balearic Is. ... Spa. Peseta	119.76
Barbados (S) ... Barbados $	[illegible]
Belgium ... B. Franc	[illegible]
Belize ... B$	[illegible]
Benin ... C.F.A. Franc	420¼
Bermuda (S) ... Bda. $	1.7202
Bhutan ... Indian Rupee	[illegible]
Bolivia ... Bolivian Peso	[illegible]
Botswana (S) ... Pula	[illegible]
Brazil ... Cruzeiro	[illegible]
Br. Virgin Islands (S) ... U.S. $	1.7202
Brunei (S) ... Brunei $	[illegible]
Bulgaria ... Lev	[illegible]
Burma ... Kyat	[illegible]
Burundi ... Burundi Franc	[illegible]
Cameroon Rp ... C.F.A. Franc	420¼
Canada ... Canadian $	[illegible]
Canary Is. ... Spanish Peseta	119.76
Cape Verde Isl. ... Cape V. Escudo	[illegible]
Cayman Is. (S) ... Cay. I. $	[illegible]
Cent. Afr. Rp. ... C.F.A. Franc	420¼
Chad ... C.F.A. Franc	420¼
Chile ... C. Peso	[illegible]
China ... Renminbi Yuan	[illegible]
Colombia ... C. Peso	[illegible]
Comoro Is. ... C.F.A. Franc	420¼
Congo (B'ville) ... C.F.A. Franc	420¼
Costa Rica ... Colon	[illegible]
Cuba ... Cuban Peso	[illegible]
Cyprus (S) ... Cyprus £	[illegible]
Czechoslovakia ... Koruna	[illegible]
Denmark ... Danish Krone	[illegible]
Dominica (S) ... E. Caribbean $	4.64454
Dominican Rep. ... Dominican Peso	[illegible]
Ecuador ... Sucre	[illegible]
Egypt ... Egyptian £	[illegible]
Ethiopia ... Ethiopian Birr	[illegible]
Eq'torial Guinea ... Peseta	[illegible]
Falkland Is. (S) ... Falkland Is. £	[illegible]
Faroe Is. ... Danish Krone	[illegible]
Fiji Is. ... Fiji $	[illegible]
Finland ... Markka	[illegible]
France ... French Franc	8.41½
French Cty in Af. ... C.F.A. Franc	420¼
French Guiana ... Local Franc	8.41½
French Pac. Is. ... C.F.P. Franc	[illegible]
Gabon ... C.F.A. Franc	420¼
Gambia (S) ... Dalasi	[illegible]
Germany (East) ... Ostmark	[illegible]
Germany (West) ... Deutschemark	[illegible]
Ghana ... Cedi	[illegible]
Gibraltar (S) ... Gibraltar £	[illegible]
Gilbert Is. ... Aust. Dollar	1.5675
Greece ... Drachma	[illegible]
Greenland ... Danish Kroner	[illegible]
Grenada (S) ... E. Caribbean $	4.64454
Guadeloupe ... Local Franc	8.41½
Guam ... U.S. $	1.7202
Guatemala ... Quetzal	1.7202
Guinea Rep. ... Syli	[illegible]
Guinea Bissau ... Peso	[illegible]
Guyana (S) ... Guyanese $	[illegible]
Haiti ... Gourde	[illegible]
Honduras Rep. ... Lempira	[illegible]
Hong Kong (S) ... H.K. $	[illegible]
Hungary ... Forint	[illegible]
Iceland (S) ... I. Krona	[illegible]
India (S) ... Ind. Rupee	[illegible]
Indonesia ... Rupiah	[illegible]
Iran ... Rial	[illegible]
Iraq ... Iraq Dinar	[illegible]
Irish Rep. ... Irish £	[illegible]
Israel ... Israel £	[illegible]
Italy ... Lira	[illegible]
Ivory Coast ... C.F.A. Franc	420¼
Jamaica (S) ... Jamaica Dollar	[illegible]
Japan ... Yen	[illegible]
Jordan (S) ... Jordan Dinar	[illegible]
Kampuchea ... Riel	[illegible]
Kenya (S) ... Kenya Shilling	[illegible]
Korea (Nth) ... Won	[illegible]
Korea (Sth) ... Won	[illegible]
Kuwait (S) ... Kuwait Dinar	[illegible]
Laos ... Kip Pot Pol	[illegible]
Lebanon ... Lebanese £	[illegible]
Lesotho ... S. African Rand	[illegible]
Liberia ... Liberian $	1.7202
Libya ... Libyan Dinar	[illegible]
Liechtenstein ... Swiss Franc	[illegible]
Luxembourg ... Lux Franc	[illegible]
Macao ... Pataca	[illegible]
Madeira ... Portug'se Escudo	66.12½
Malagasy Rp. ... MG Franc	[illegible]
Malawi (S) ... Kwacha	[illegible]
Malaysia (S) ... Ringgit	[illegible]
Maldive Is. (S) ... Mal Rupee	[illegible]
Mali Rp. ... Mali Franc	[illegible]
Malta (S) ... Maltese £	[illegible]
Martinique ... Local Franc	8.41½
Mauritania ... Ouguiya	[illegible]
Mauritius (S) ... M. Rupee	[illegible]
Mexico ... Mexican Peso	[illegible]
Miquelon ... C.F.A. Franc	420¼
Monaco ... French Franc	8.41½
Mongolia ... Tugrik	[illegible]
Montserrat ... E. Caribbean $	4.64454
Morocco ... Dirham	[illegible]
Mozambique ... Moz. Escudo	[illegible]
Nauru Is. ... Aust. Dollar	1.5675
Nepal ... Nepalese Rupee	[illegible]
Netherlands ... Guilder	[illegible]
Neth. Ant'les ... Antillian Guilder	[illegible]
New Hebrides ... Franc / Austr. Dollar	[illegible]
N. Zealand (S) ... N.Z. Dollar	[illegible]
Nicaragua ... Cordoba	[illegible]
Niger Rp. ... C.F.A. Franc	420¼
Nigeria (S) ... Naira	[illegible]
Norway ... Nrwg. Krone	[illegible]
Oman Sultanate of (S) ... Rial Omani	[illegible]
Pakistan ... Pkst. Rupee	[illegible]
Panama ... Balboa	1.7202
Paraguay ... Guarani	[illegible]
P'ple's D. Rp. of Yemen (S) ... S. Yemen Dinar	[illegible]
Peru ... Sol	[illegible]
Philippines ... Ph. Peso	[illegible]
Pitcairn Is. (S) ... £ Sterling / New Zealand $	[illegible]
Poland ... Zloty	[illegible]
Portugal ... Port. Escudo	66.12½
Port Timor ... Timor Escudo	[illegible]
Principe Isle. ...	[illegible]
Puerto Rico ... U.S. $	1.7202
Qatar (S) ... Qatar Ryal	[illegible]
Reunion Ile de la ... French Franc	8.41½
Rhodesia ... Rhodesian $	[illegible]
Romania ... Leu	[illegible]
Rwanda ... Rwanda Franc	[illegible]
St. Christopher (S) ... E. Caribbean $	4.64454
St. Helena ... St. Helena £	[illegible]
St. Lucia ... E. Caribbean $	4.64454
St. Pierre ... C.F.A. Franc	420¼
St. Vincent (S) ... E. Caribbean $	4.64454
Salvador El ... Colon	[illegible]
Samoa Am. ... U.S. $	1.7202
San Marino ... Italian Lira	[illegible]
Sao Tome ... Port. Escudo	66.12½
Saudi Arabia ... Ryal	[illegible]
Senegal ... C.F.A. Franc	420¼
Seychelles ... S. Rupee	[illegible]
Sierra Leone (S) ... Leone	[illegible]
Singapore (S) ... Singapore $	[illegible]
Solomon Is. (S) ... Australian $	1.5675
Somali Rep. ... Som. Shilling	[illegible]
Sth. Africa (S) ... Rand	[illegible]
Spain ... Peseta	119.76
Spanish ports in N. Africa ... Peseta	119.76
Sri Lanka (S) ... S. Rupee	[illegible]
Sudan Rp. ... Sudan £	[illegible]
Surinam ... S. Guilder	[illegible]
Swaziland (S) ... Lilangeni	[illegible]
Sweden ... S. Krona	[illegible]
Switzerland ... Swiss Franc	[illegible]
Syria ... Syria £	[illegible]
Taiwan ... New Taiwan $	[illegible]
Tanzania (S) ... Tan. Shilling	[illegible]
Thailand ... Baht	[illegible]
Togo Rp. ... C.F.A. Franc	420¼
Tonga Is. (S) ... Pa'anga	[illegible]
Trinidad (S) ... Trin. & Tobago $	[illegible]
Tunisia ... Tunisian Dinar	[illegible]
Turkey ... Turkish Lira	[illegible]
Turks & Caicos ... U.S. $	1.7202
Tuvalu ... Australian $	1.5675
Uganda (S) ... Uganda Shilling	[illegible]
United States ... U.S. Dollar	1.7202
Uruguay ... Uruguay Peso	[illegible]
Utd. Arab Emirates ... U.A.E. Dirham	[illegible]
U.S.S.R. ... Rouble	[illegible]
Upper Volta ... C.F.A. Franc	420¼
Vatican ... Italian Lira	[illegible]
Venezuela ... Bolivar	[illegible]
Vietnam (Nth) ... Dong	[illegible]
Vietnam (Sth) ... Piastre	[illegible]
Virgin Is. U.S. ... U.S. Dollar	1.7202
Western Samoa (S) ... Samoan Tala	[illegible]
Yemen ... Ryal	[illegible]
Yugoslavia ... New Y Dinar	[illegible]
Zaire Rp. ... Zaire	[illegible]
Zambia ... Kwacha	[illegible]

That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa. Rupees per pound. Tourists visiting Sri Lanka receive a premium of 65 cents per cent. The Ouguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency. Afars and Issas now Djibouti. General rates of oil and iron exports 7.223. The Mongolian tugrik has lately been reported to stand at an official commercial rate of 0.523 Russian roubles; the North Vietnamese dong at 4.000 roubles and the South Korean won at 0.46 roubles. With the pound standing at 1.38 roubles the following relationships could be calculated for the pound: [illegible]. Rate is the Transfer market (controlled). Rate is now based on 2 Barbados $ to the dollar. Now one official rate. Two-tier system introduced April 28. Rate is for exports, non-essential imports and tourism. Rate for essential imports 1.5469.

Retail spending up slightly in May

BY MICHAEL BLANDEN

SPENDING in the shops recovered slightly in May in spite of the continued depression of sales of durable goods and other non-essential items.

The latest figures published by the Department of Trade show that the index of the volume of retail sales has been adjusted upwards from the previous estimate to 104.4 (1971=100, seasonally adjusted).

This suggests that the level of retail activity in May picked up compared with the previous two months, and indicates a rather higher rate of business than the provisional estimate of about 103.5 published last month.

Nevertheless, sales in May were below the levels reached in January and February and the final outcome still suggests that consumer spending remained low as a result of the squeeze on disposable incomes with wages under restraint at a time of accelerating price inflation.

Over the latest three months, from March to May, the volume of total trade was 3 per cent. lower than in the previous three month period.

Among the main components of trade, the volume of sales by durable goods shops in the March to May period was down by 6 per cent. against the previous three months.

Sales by clothing and footwear shops dropped by 5 per cent. while there was a fall of 3 per cent. in sales by the "other non-food" group, which includes department stores and mail order businesses. Sales by food shops fell by 1 per cent. between the two periods.

Finance houses

In spite of the low level of sales, however, the finance houses continue to show a rise in the amount of their lending. The department's figures show that new instalment credit advanced by finance houses and retailers was £359m. in May (seasonally adjusted). This was slightly higher than the April figure of £349m.

Within the total, however, the finance houses increased their lending to £171m., against £154m. in the previous month. This rise was only partly offset by a decline from £195m. to £188m. in lending by retailers.

Over the latest three-month period from March to May, total advances were 6 per cent. higher than in the previous period. Lending by finance houses rose by 12 per cent. between the two periods while retailers increased their loans by only 2 per cent.

HP CREDIT AND RETAIL SALES (Seasonally adjusted)

	New credit extended by: Finance Houses £m.	Retailers £m.	Total debt outstanding (unadjusted) £m.	Retail volume (revised) Total (1971=100)	Durable goods shops
1976					
1st	340	502	2,297	107.3	119
2nd	382	491	2,363	107.6	122
3rd	393	524	2,465	108.9	128
4th	420	558	2,662	108.5	128
1976					
Oct.	130	182	2,519	108.1	129
Nov.	142	193	2,605	109.2	130
Dec.	148	183	2,662	108.3	122
1977					
1st	460	557	2,737	105.0	118
Jan.	135	189	2,661	106.7	123
Feb.	157	185	2,691	105.7	120
March	168	183	2,737	103.1	111
April	154	195	2,782	103.4	121
May	171	188	2,636	104.4	116

Source: Department of Trade

Car prices cited as easier credit argument

By Michael Blanden

THE SHARP IMPACT of inflation on car prices is underlined by evidence of the Finance Houses Association for its arguments for relaxing the controls on instalment credit loans.

The association, whose 39 members account for over 90 per cent. of all instalment credit outstanding in the U.K., says that the monthly repayment on a car in the 1,001 cc to 1,500 cc range has risen from £36.13 in April 1973 to £83.60 in April this year.

The increase, 131.4 per cent., reflects largely the jump in the price of a new car in this range as a result of inflation, from £985 in 1973 to £2,280.

These figures have been presented to the Department of Prices and Consumer Protection to back the association's plea for the maximum repayment period for buying cars under instalment credit schemes to be extended from 24 months to 36 months.

Instalment credit payments on new cars are "beyond the reach of many who would previously have been able to afford them."

Official controls on the terms of instalment credit were reintroduced in December 1973, and have remained since then at a one-third down payment, with 24 months to pay. The Finance Houses Association reports in its quarterly journal Credit that it has updated the arguments it presented a year ago for easing the repayment period while keeping the one-third down payment.

The association says that against a rise of over 131 per cent. in car prices, average gross weekly wages have increased by only 90 per cent. since 1973.

The association says that to repay the loan on a car in the cheapest range the borrower would need to pay £1,003 a year in instalments, equivalent to 31.4 per cent. of average disposable income, against 24.2 per cent. on the same basis in 1973.

Memo figures for

It has submitted a memorandum to the committee headed by Sir Harold Wilson on the workings of the City. This describes the operations of the finance houses, saying that many industrial and commercial companies use their services because the facilities offered are certain.

"Generally, it is possible to obtain fixed-rate finance for a fixed period," the association says.

"Other advantages include the use of standard documentation, the absence of legal fees, and the fact that by taking security in the equipment financed, the buyer's existing credit lines are disturbed less than if there were a charge over his assets which other lenders might demand."

The association says finance houses would like to obtain more of their funds in the form of long-term money. An insufficient supply of long-term money, it says, limits the opportunity for some finance houses to offer substantial lines of credit over longer repayment periods.

The association will shortly submit a further memorandum to the Wilson Committee commenting on the effectiveness of financial institutions in meeting demands of industry and trade for finance on reasonable terms.

'Return to tariffs' urge consultants

BY RAY DAFTER, ENERGY CORRESPONDENT

THE BRITISH Gas Corporation should use any excess profits it has made to reintroduce its old system of tariffs, a firm of energy cost consultants said yesterday.

Domestic consumers should be allowed to go back on the Gold Star tariff and business users allowed to pay on the basis of the commercial heating tariff, according to the National Utility Service. This would allow consumers time to adjust to the ultimate withdrawal of concessionary rates.

Following the disagreement between British Gas and the Price Commission about whether the corporation made an excess profit of £36m., the NUS said consumers were entitled to question whether something was being hidden.

"Why was the size of the April increase justified? Did British Gas take a wild swipe at their consumers and will they now have to make restitution?"

The NUS said that although the April increase averaged 11 per cent. many consumers under the commercial heating tariff suffered increases as high as 25 per cent.

British Gas had said it would give sympathetic consideration to claims for compensation from consumers who had spent capital in qualifying for the commercial heating tariff. But the corporation was dragging its heels in implementing this policy.

Last night the British Gas Corporation welcomed the NUS comments but considered them "slightly hypothetical and certainly premature," bearing in mind that the whole question of the corporation's profit levels was still under review.

It was pointed out too that the National Gas Consumers' Council had pressed for some years for the withdrawal of the Gold Star tariff to simplify the structure of gas prices and ensure the customer did not pay too much.

U.K. architect sets EEC precedent

BY A. H. HERMANN, LEGAL CORRESPONDENT

A BRITISH architect who got a favourable decision of the European Court in a dispute with the French Ministry of Cultural Affairs has probably opened the door for many EEC architects wishing to establish themselves in another member State of the Community.

The judgment last week, received in London only yesterday, establishes beyond doubt that Mr. Richard Patrick, holder since 1961 of a diploma of the Architectural Association, can practise in France the same way as architects of French origin holding a French diploma.

It would be an infringement of the EEC Treaty if the French authorities insisted that he meet any special conditions to which French architects are not subject.

The ruling will directly benefit architects whose diplomas are recognised by member States as equivalent to their domestic diplomas, and indirectly will improve significantly the position of other professions.

No previous decisions of the European Court favouring freedom of establishment of lawyers, accountants or insurance brokers were formulated so unequivocally.

Snags in transport training

DIFFICULTIES of training in the road transport industry were spelt out yesterday by Mr. Ken Turner, chairman of the Road Transport Industry Training Board.

Opening a London Exhibition on Approaches to Training in Transport, he spoke of the fragmented nature of the industry, with many companies in a restricted geographical area, and only limited resources for training. The average company was small, employing on average 17 people.

The training board has tried to solve these problems by flexible training systems. Learning and training packs and tape cassette learning programmes are available for smaller company managers who can participate in business improvement group discussions.

There has been training for 3,500 managers since 1970.

There is a formal management development course for larger companies. Profits improvement kits and fault diagnosis clinics are available.

The training board has an annual income of about £20m. derived from a levy on companies in the transport sector.

Advice centres defended

A VIGOROUS defence of Consumer Advice Centres was made in Wrexham yesterday by Mr. John Fraser, Minister for Prices and Consumer Protection. He deplored the "fashionable view that money could be saved by axing the centres and leaving shoppers to their own devices."

At the same time, Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, answering a Parliamentary question, said that eligible running costs of the 120 centres would be met by Government grants. This would total about £3m. in 1977-78.

Mr. Fraser said that the closure of any centre would mean more expense to the local community as the work would be transferred to the local authority trading standards office. The service was also cheap, and a total cost of £3m. had to be measured against annual consumer expenditure of £63bn.

Montefibre closes sales office in Manchester

BY RHYS DAVID, NORTHERN CORRESPONDENT

MONTEFIBRE, the fibre-producing arm of Montedison, the Italian chemical group, is to close its Manchester office and showroom complex, opened only three years ago as part of a drive to increase its U.K. fibre sales.

The company will be concentrating management of its U.K. fibre sales operation in London, where Montedison already has its base, and will be looking for smaller Northern offices with good access to the motorway network and Manchester Airport.

Some management staff will be moved to London when the move takes place towards the end of this year. There will be only a small number of redundancies.

The move is the latest in a series of cuts by the big fibre producers throughout Europe intended to restore profitability to the industry, which has 25-30 per cent. over-capacity in some fibres.

Montefibre has incurred some of the biggest losses among the fibre producers. It reported a £66.6m. deficit last year.

The company said yesterday that the move did not imply any reduction in its sales effort in the U.K. and it would be increasing its sales force.

Bovis in £6m. project to expand Gleneagles Hotel

BY CHRISTOPHER DUNN

BOVIS Hotels Scotland plans to spend up to £2m. on luxury developments at two famous Scottish hotels in a venture with British Transport Hotels.

Most of the money (£6m.) will be spent at the Gleneagles Hotel in Perthshire. A leisure centre, an 18-hole golf course, a conference centre and a village will be added to the existing building, which was opened in 1926.

At the Turnberry Hotel on the Scottish West coast 36 multi-ownership holiday homes will be built.

Mr. Brian Blackwell, managing director of Bovis Homes Scotland, said yesterday in Glasgow: "Gleneagles and Turnberry Hotels have been much more than hotels for over 50 years. But it is crucial that the traditional qualities of both are preserved."

Luxury detached apartments will be built at the Gleneagles complex for sale to governments and companies as well as to individuals.

The village will include about 100 cottages and country houses and about 60 apartments. The first phase will be available for occupation in September at £25,500 to £40,000.

The new Glen Devon Golf course should open in 1979.

Bovis is putting up the initial capital and British Transport Hotels, which owns the Gleneagles Hotel, is providing the land and facilities.

As the projects come on stream revenue will be divided between the two partners and British Transport Hotels will plough its income back into the leisure complex.

Financing at the Turnberry complex is also fairly novel. Buyers will be able to take shares in a flat—which will entitle them to use it for a week each year for about £2,000.

Mr. Blackwell said: "A flat will be available to the client for the same week, or weeks, each year. It can be used for holidays or business. The facility is transferable at any time."

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هكذا من الأصل

HOME NEWS

Bleak house-building outlook forecast

BY STUART ALEXANDER

PROSPECTS for the building and construction industry remain generally poor, according to the joint forecasting committee of the building and civil engineering Economic Development Councils.

A drop of 5 per cent. in new construction this year will be followed by a further 4 per cent. in 1978, the committee forecasts. Worst hit will be the public sector, including housing, with no compensating improvement in the private sector.

Improved control of public sector finance coupled with a shift to rehabilitation which may be reinforced by the introduction of the block grant system will lead to public sector house starts falling away sharply.

Starts for 1977 are forecast at 135,000, a fall of 36,000 on 1976, with a further decline to 125,000 in 1978. Completions are forecast at 170,000 in 1977 and 155,000 in 1978.

The committee explains that the 1977 completions forecast is less than implied by the high level of work in progress because the rate of hand-over is expected to remain low. This is because builders are unwilling to increase their labour forces at a time when prospects are uncertain, and some house builders are experiencing financial difficulties.

The future for the private sector is less bleak than six months ago, says the committee, which now expects work to start on 140,000 homes this year, an increase of 15,000 on its January forecast. And it expects another increase to 150,000 in 1978.

No glimmer

Mortgage lending by the building societies is expected to be close to £6bn. with the lower lending rate possibly enabling a larger number of purchases at the bottom end of the market and generating demand generally. Private sector completions are forecast at 145,000 for 1977, rising to 155,000 in 1978.

The committee maintains its January forecast of a 12 per cent. fall in public sector construction output this year, compared with 1976 and a further decline of 8 per cent. in 1978. It again cites greater control of expenditure and says the outlook for roads, water and sewerage, health and education is particularly depressing.

But it is more optimistic for the private industrial sector, where it sees an improvement of 3 per cent. this year and 7 per cent. in 1978.

In both 1977 and 1978 the committee expects private commercial sector output to remain low. "Prospects for the sector are still abysmal, with no glimmer of revival," it says.

Repair and maintenance work is expected to improve slightly in 1978 although the forecast for 1977 is a 3 per cent. fall in the value of work compared with 1976.

Construction Forecasts 1977-1978, SO, PO Box 569, London SE1. £4 annual subscription.

Top companies link to brief Parliament

BY CHRISTOPHER LORENZ, MANAGEMENT EDITOR

ELEVEN leading British companies have combined to form a trust dedicated to promoting better understanding between industry and Parliament.

The main function of the new organisation—Industry and Parliament Trust—will be to award fellowships to parliamentarians—mainly MPs—who are prepared to spend at least 25 days a year in one of the companies, at all levels of operation.

The scheme will be administered by an all-party team of trustees, headed by Lord Diamond, a former Labour Minister at the Treasury. The others are Lord Byers from the Liberals, Lord Carr of Hadley (formerly Robert Carr) from the Conservatives, Lord Greene of Harrow Weald, the former general-secretary of the National Union of Railwaymen, and the Rt. Rev. Michael Mann, Dean of Windsor.

Launching the Trust, Lord Diamond stressed that the fellowship scheme, which has all-party approval from the whips, would be non-party.

Sir Leslie Smith, chairman of BOC International and also of the council of the Trust—which represents companies—said: "We are not seeking to create a lobby for industry, nor to compete with the CBI in our contacts with the Government. But better understanding will make those contacts far more effective."

Behind the initiative lies concern in industry at a wide lack of understanding by the MPs on a wide range of industrial subjects, ranging from labour relations to capital investment. This concern underlaid the wording of yesterday's announcement from the Trust, which referred to parliamentarians' chance to study "the interaction between the many laws affecting industry and those who, at managerial and different levels, are actually responsible for the wealth-producing process."

But the founder members also admit that many of those in industry are equally ignorant about the workings of Parliament and Government. The discussions with people in industry from company chairmen to the shop floor should therefore benefit both sides, it is argued.

The scheme owes much to the campaigning of BOC International. The other members are BAT Industries, Cadbury Schweppes, Chloride, Laporte, Marks and Spencer, Metal Box, Plessey, Scottish and Newcastle Breweries, Tarmac, and United Biscuits.

Each of the companies will subscribe £5,000 a year to a fund administered by the trustees, who will pay fellows only for any financial loss they can show they have suffered by participation in the scheme; payments will therefore vary between individuals.

By allocating two fellows from different parties to each company, [illegible] to award 22 fellowships. Lord Diamond said he hoped more companies would join in future, to enlarge both the number of fellowships and the types and sizes of company represented [illegible] lobbying position.

In spite of other pressures on MPs' time, the Trust organisers are hoping for a large number of applications. All members of the Commons will to-day receive copies of a booklet on the Trust.

Apart from operating the fellowship scheme, the Trust may also sponsor courses of instruction; finance "suitable industrial study projects"; and extend its activities "to include those concerned with all aspects of government in both the U.K. and the EEC."

Not a Lobby, Page 13

Currency case opens to-day

Financial Times Reporter

THE COMMITTAL hearing against nine people accused of investment currency offences begins at Horseferry Road Court, London, to-day.

The defendants include Mr. John Martin Wales, a Bank of England official, who was arrested with the other defendants last December.

The defendants are charged with conspiring on various dates between 1975 and 1976 to obtain large sums of money from an authorised bank or banks by falsely pretending that foreign currency which they intended to sell was investment currency, the proceeds of sale of premium-worthy foreign securities.

The committal hearing, which is expected to last three days, will be in public, but so far no request has been made for reporting restrictions to be lifted.

Housekeeping 'freeze' hits wives

WIVES AND children have been the worst hit by inflation in the past year, according to a National Consumer Council survey which showed one-in-three husbands in Britain made no increase in housekeeping money.

The survey was conducted for the council by National Opinion Poll.

Mr. Michael Young, chairman of the council, appealed to the Government and to union conferences meeting this week to recognise that the facts made a pay and prices deal very much more urgent.

Pay increases which pushed up costs and prices were bound to push down the standard of living of housewives kept short of housekeeping money, he said.

According to the survey nearly half the husbands earning less than £40 a week added nothing to housekeeping money during the year.

Lower income wives were expected to pay for more out of their own purses—67 per cent. of women whose husbands earned less than £30 a week had to pay all the fuel bills out of their money, compared with only 35 per cent. of the higher income wives. Nearly half of the same women had to pay the rent as well.

Ipswich port surplus leaps

BY OUR SHIPPING CORRESPONDENT

IPSWICH Port Authority more than quadrupled its after tax surplus last year despite a slight drop in traffic.

Mr. Claude Merrick said in his chairman's statement in the annual report that the port's role is changing slowly. The emphasis was moving away from provision of locally consumed imports towards general cargo handling services.

Coal, petrol and roadstone imports fell almost 228,500 tonnes last year compared with 1975, but the reductions were largely balanced by continued growth of general and unitised cargo.

At the end of the year traffic at 2.45m. tonnes, was down only 32,000 tonnes from 1975.

U.K. oil bill up by £20m. after Saudi price rise

BY RAY DAFTER, ENERGY CORRESPONDENT

The decision by Saudi Arabia and the United Arab Emirates to raise the price of their crude by 5 per cent. for the second half of 1977 could add over £20m. to the U.K.'s fuel bill in the next 12 months.

It is not yet clear, however, whether the increase will be passed on to the consumer, though the Saudi-UAE move has, in general, been welcomed. Oil companies are relieved that the two-tier pricing structure in the Organisation of Petroleum Exporting Countries has come to an end.

The fact that Saudi and UAE crude has been much cheaper than oil from other OPEC producers has led to unprecedented complications for oil company marketers. Many companies [illegible] compromise much [illegible].

There was also some relief in the Government that, as part of the OPEC pricing compromise, 11 of the 13 member countries [illegible] their plan to raise prices by a further 5 per cent. on July 1. This would have had a greater impact on the balance of payments, for about three-quarters of Britain's imported oil comes from the majority members.

The effect on consumers of the Saudi Arabia and UAE decision will be slight when set against the total oil bill. Last year, for instance, Britain imported more than £5bn. worth of crude oil and products, resulting in a deficit in the oil trading balance of about £4bn.

The build-up of North Sea oil production is gradually whittling away this deficit. Latest figures show that Britain's offshore fields are meeting half the country's oil needs.

It is by no means certain that oil companies will attempt to recover the higher Saudi and UAE prices in the next few months. The oil products sector is still extremely competitive, as shown by the large number of cut-price offers still being made on garage forecourts.

This is one of the reasons why consumers have not been able to detect easily the effects of the price-restraining lead taken by Saudi Arabia and United Arab Emirates earlier this year. When the majority OPEC members raised prices by 10 per cent. on January 1, Saudi Arabia and the UAE restricted the increase of their oil to 5 per cent.

This differential has hit U.K. oil companies harder than the American groups.

North Sea

British Petroleum, for instance, has traditionally bought only about 8 per cent. of its crude oil from the UAE and about 4 per cent. from Saudi Arabia. The company has been fortunate in that it has seen a rising volume of oil being produced from the North Sea Forties Field this year—oil which has commanded a premium price on a par with some of the higher value African crudes.

BP said yesterday: "Resolution of the differences in oil prices is to be welcomed, especially as it introduces stability into the price of crude oil over longer periods.

"Particularly welcome is the reported comment by the Saudi Arabian and UAE governments that in future there should be a moderate attitude by all when discussing oil prices."

The statement added that BP was also particularly pleased because it had had little access to lower-tier crude over the past six months.

Shell commented: "We are glad that the market has settled down."

Figures prepared by the Institute of Petroleum show that the proportion of oil from Saudi Arabia imported into the U.K. in the first four months this year was up on last year's average.

In 1976, oil companies imported 18.3m. tonnes of Saudi Arabian crude, 20.9 per cent. of total oil imports. Between January and the end of April, 6.2m. tonnes of Saudi Arabian crude was imported—24.5 per cent. of the total during the period.

In the same four months, 494,806 tonnes of crude from Abu Dhabi was imported (1.95 per cent. of the total) as against 1.43m. tonnes (1.6 per cent.) in the whole of 1976. Similarly, 496,299 tonnes were imported from Dubai (1.96 per cent. of the total) as against 2.2m. tonnes (2.5 per cent.) in 1976.

PARLIAMENT and POLITICS

An Independence Day farce

BY PHILIP RAWSTORNE

"A first-class comedy act." Mr. Bob Mellish commented on the Independence Day celebrations in the Commons yesterday of the Scottish and Welsh Nationalists.

Striking their blow for freedom by trying to cut the Prime Minister's salary, the Nationalists merely succeeded in reducing their own credibility.

It was a remarkable farce, bordering on slapstick. Mr. Donald Stewart, the Scottish Nationalist leader, opened on a revolutionary note — and continued in ever-diminishing circles.

Scotland had been neglected, he claimed, without offering much evidence that a Nationalist Government would have the wit to repair the dilapidation.

Recent elections had shown the loss of confidence in the Government. "The Government are hiding their heads in the sand. That is why their behinds are being kicked so frequently and so heartily."

Mr. Gwynfor Evans, the Welsh Nationalist leader, complained similarly, though in a more literary style, about the condition of the Welsh nation. Then he turned on his Tory allies, admitting that the Nationalists' only hope of devolution lay with a Labour Government.

Mr. Evans attacked the Tories for their "chauvinist ethos of post-British imperialism." All their history pointed to opposition to power for the people, he declaimed.

But the Nationalists and the Tories would be voting together against the Government, someone pointed out. Mr. Evans was not confused. A Tory Government would provide the biggest boost for nationalism by uniting the radicals of Wales as never before, he said.

Mr. Russell Johnston suggested gently that the Liberal way of co-operating with the Government to establish a measure of self-Government might be better than the Nationalist co-operation with the Tories to prevent it.

Mr. Evans looked for a moment as if he might agree — but withdrew to stand stoutly for independence. Only if the Government introduced an early guillotine for devolution would it encourage new trust, he said.

Mr. Bruce Millan, Secretary for Scotland, reaffirmed the Government's determination to get its devolution proposals through Parliament — though Mr. Michael Foot left shortly after the opening of the debate, apparently convinced that it was doing nothing to help his search for support among sceptical English Nationalists.

The Nationalists' claims of neglect were absurd, said Mr. Millan. Scotland and Wales, according to him, were in no worse a condition than the rest of the country.

That was where Mr. Teddy Taylor and the Tories came in. One of the most vigorous opponents of devolution in the Tory party, Mr. Taylor's new alliance was based more on opportunism than nationalism.

Nationalists' censure bid comes under fierce counter-attack

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE SCOTTISH National Party and Plaid Cymru, the Welsh Nationalists, last night joined forces in the Commons in an attempt to pass a censure motion against the Government demanding that the salary of Mr. James Callaghan, Prime Minister, should be cut by half.

But even though the Conservatives intended to vote with the Nationalists, the Government treated the combined attack with scarcely concealed contempt, knowing that it could rely on the support of the Liberals in the division lobbies.

Mr. Bruc Millan, Scottish Secretary, brushed aside the speech of Mr. Donald Stewart, leader of the SNP, as "a tired recital of the normal stuff we get, only slightly less distilled." He dismissed the Nationalists of both parties as "that motley collection opposite."

Mr. Bob Mellish (Lab., Bermondsey), the former Labour Chief Whip, was even more outspoken. He described Mr. Stewart's speech as "a first-class comedy act."

According to Mr. Mellish, it was a pity that the proceedings of the House were not being televised so that viewers could have seen Mr. Stewart's performance and that of Mr. Gwynfor Evans, the Plaid Cymru leader.

Mr. Mellish maintained that he had never heard such rubbish in all his political career, and that in view of the standard of the speeches from the Nationalist leaders, it was difficult to take the censure motion seriously.

In the opening attack, Mr. Stewart concentrated on what he claimed was the Government's failure to maintain in Scotland levels of social services, industrial assistance and infrastructure, education, and econocim activity, comparable to that in England.

Mr Evans, on the other hand, emphasised the extreme scepticism of his party concerning the Government's real intentions over devolution. He suspected that Mr. Callaghan was merely going through the motions of introducing a new Bill next session, with the real intention of putting the matter off until he could go to the country in a General Election.

But much to the delight of Labour backbenchers, Mr. Evans also concentrated much of his fire on the Tories, accusing them of being the main enemies of Nationalist aspirations and the chief "proponents" of Government centralised on Whitehall.

Oddly enough, the Tory support for the Nationalist motion was led by Mr. Edward Taylor, shadow Scottish Secretary, who is the leading Conservative opponent of devolution.

He contented himself with a blistering attack on the Government's failure to control inflation and to bring down unemployment. At the same time, he poked fun at the Nationalists, accusing Mr. Evans of having delivered the same speech that he had been making unchanged for the past 30 years.

Mr. Taylor accused the Government of failing to take the debate seriously and declared: "The issues won't be beaten by calling names." He said the Tories were supporting the censure motion because of the Government's utter complacency.

Faced with the problems of unemployment and inflation, the Government had proved to be bankrupt of economic ideas.

"Unemployment is rocketing, prices are rocketing, real living standards are going down, production is static and growth is non-existent," he declared. "We cannot have confidence in a Government which has led to this kind of situation."

By way of illustration, he pointed out that the Prime Minister received a salary of £20,000 a year plus Parliamentary allowances of £3,000 and other allowances of £2,500. But if inflation were taken into account, his salary had been reduced to £9,000 in real terms since Labour took office in 1974.

In addition, said Mr. Taylor, Mr. Callaghan appeared to have lost the battle against the Left wing in his own party. The Lib-Lab pact was just a way of maintaining the Government in power until Mr. Callaghan could pick an election date of his own choosing.

If the Labour Party was then returned with a reasonable majority, the policies of the Lib-Lab alliance would be thrown aside and there would be another five years of "red blooded socialism."

Speaking from the crowded Nationalist benches, Mr. Stewart recalled that it was July 4, American Independence Day.

Despite the opposition of Lord North, George III and others, the American colonists had achieved their independence as Scotland surely would despite the spiritual heirs of Lord North in the House, he said.

Claiming that Scotland had received a poor deal from successive Governments he said that the Prime Minister was basing his optimism for the future on North Sea oil.

"It will not go unnoticed that these enormous resources are in the Scottish sector of the North Sea. At the same time, the Government tells us that the funds do not exist to deal with deprivation," he added.

Mr. Evans told the House that his party was sceptical of the Government's intention on devolution despite the declarations which Mr. Callaghan had made. He suspected that the Government was cynically playing for time. There was reason to believe that it would continue to do so while waiting for North Sea oil to flow in large quantities.

There was also a suspicion that the Government might delay the devolution Bill so that it would eventually become bogged down in the House of Lords. The Prime Minister might then go to the country in an election, claiming that the Government had done its best but that peers were holding up the legislation.

The one thing which would encourage the Welsh Nationalists was an early promise from the Government that it would introduce a guillotine timetable motion on the Bill and make the legislation an issue of confidence.

Mr. William Ross (Lab., Kilmarnock), former Scottish Secretary, said the Nationalists were playing on emotion to get Scotland to look inwards. But Scotland had always looked out.

The SNP document for candidates disgusted him. Find out what the people wanted and promise it to them was their philosophy. "They are the equivalent of political hooligans," he said.

Mr. Ian MacCormick (SNP Argyll) said that both the Tories and the Government had gone back on what they had said about giving Scotland and Wales their own legislative assemblies. Both parties had been "tarred with duplicity."

The SNP had been prepared to co-operate over the Scotland and Wales Bill not because they saw it as an end in itself but as part and parcel of a dynamic process that would lead to independence.

Why so many Scots are in London . . .

MR. BOB MELLISH, former Government Chief Whip, said that if the censure motion [illegible] election was held, and a Tory Government was returned, the Nationalists would be "further away from devolution than they had ever been in their lives."

Mr. Mellish said there were more Scots and Welshmen in London than there were in Scotland or Wales. And the reason they had left to come to London was because of the policies of "lousy stinking Tory Governments," he declared to loud Labour support.

Pointing at the Opposition front bench, he declared: "The patriotism of that shower is incredible. They do not want the economic situation to improve. So much are they concerned with power, that patriotism means nothing."

Drax: Benn indicates 'no tender' precedent

BY IVOR OWEN, PARLIAMENTARY STAFF

A STRONG indication that the contract for the Drax B coal-fired power station, estimated to cost £600m. will not be put out to competitive tender was given by Mr. Anthony Wedgwood Benn, Energy Secretary, in the Commons yesterday.

He recalled that when, in similar circumstances, the order for the Ince B power station was placed during the period of office of a Conservative Government, competitive tenders were not sought.

"That is a very important precedent which must be uppermost in our minds," declared Mr. Benn, who was strongly criticised from both sides of the House for still being unable to announce a firm decision on the ordering of Drax B.

Conservative MPs saw a sharp contrast in his attitude to that adopted by Mr. Alex Eadie, Under Secretary for Energy, when he told the House towards the end of May: "My understanding is that these matters are put out to competitive tender."

Reminding Mr. Benn of that occasion, Mr. Hamish Gray, a Conservative energy spokesman, claimed that Mr. Eadie had given a "categorical assurance" that there would be competitive tendering for Drax B.

Mr. Benn retorted: "The record does not show that."

Mr. Mike Thomas (Lab., Newcastle E.), who has been leading the Parliamentary campaign to get the order for Drax B placed with C. A. Parsons, protested that the Minister's "procrastination" was becoming a "direct thief of jobs."

He strongly opposed competitive tendering for the contract, arguing that it would have the effect of delaying work on the shop floor on the project for a period of up to two years.

On the wider issue of the restructuring of the heavy electrical plant industry, Mr. Benn stressed that primary Ministerial responsibility rested with Mr. Eric Varley, Industry Secretary. But he underlined the fact that as both the generator manufacturers were privately owned, the Government could only proceed by trying to reach an agreement by consent.

"The powers do not lie with us to impose a solution," he added.

● Mr. Eadie was drawn into the controversy after telling the House that the margin of plant at Culham, near Oxford, and the Central Electricity Generating Board system over the peak winter's peak demand was 33 per cent. It was expected, he said, to remain about this level until the early 1980s.

Describing this as a very substantial margin of excess capacity Mr. John Biffen (C., Oswestry) urged that it should be borne in mind in resisting attempts to secure an accelerated construction of Drax B.

Mr. Eadie answered that the ordering of Drax B should be seen in the context of the need to preserve a healthy manufacturing capacity in the heavy electrical plant industry in Britain.

Tories bitter over failure to resolve JET siting

BY IVOR OWEN, PARLIAMENTARY STAFF

A DEFIANT Mr. Anthony Wedgwood Benn hit back strongly at Tory MPs in the Commons yesterday when they attacked his performance during his six-month period of office as president of the Council of Energy Ministers.

The Energy Secretary was accused by Mr. Trevor Skeet (C., Bedford) of playing an "I'm all right, Jack" role, which had resulted in Britain's interests getting nowhere.

Mr. Skeet put the failure to secure agreement on the siting of the JET nuclear fusion project at Culham, near Oxford, and the lack of success in securing an increase in coal exports to Europe as the main items in a catalogue of failure.

In equally scathing tones, Mr. Tom King, shadow Energy Secretary, pronounced that Mr. Benn had achieved the success that could be expected from someone who was totally opposed to the idea of a European Energy Policy in any case. The failure over JET, he said, was a "major setback" for the most important European research project.

Mr. Benn replied that JET was a matter for the Research Council and not the Energy Council and protested that Britain's case had not been helped by the attitude of the Opposition. One Tory MP, he asserted, had even suggested in the European Assembly that the project should go elsewhere.

Mr. Benn was adamant that he had worked constructively throughout his period of office as president of the Council of Energy Ministers. He emphasised that he had not uttered one word of criticism, publicly or by private briefing, of other nations who had sought to stick up for their own interests.

A firm assurance that the Government would continue to advance the claims of Culham as the location for the JET project was given by Mr. Frank Judd, Foreign Office Minister of State, when he reported on the arrangements made for EEC Ministerial meetings this month.

(Finance Ministers will meet on July 18, Agriculture Ministers on July 18 and July 19, Budget Ministers on July 20, and Foreign Ministers on either July 25 or July 26.

Mr. Judd explained that at the Finance Council, Ministers would have their second quarterly examination of the economic situation in the Community. At the budget Council, Ministers would establish the draft Community Budget for 1978.

Agriculture Ministers, said Mr. Judd, would be considering fisheries matters, together with proposals for a potato regime, the labelling of milk products, and aid for producer groups.

Tories welcomed Amin—Hart

A ROW blew up in the Commons yesterday when Mrs. Judith Hart, Minister for Overseas Development, accused Conservative MPs of welcoming the rise to power in Uganda of President Amin.

At the time President Amin succeeded President Obote, there was considerable welcome from Conservative members, although they learnt better later she declared.

Mr. Peter Tapsell, for the Opposition, leapt angrily to his feet and told the House he "totally rejected" what Mrs. Hart had said.

Mr. Neil Kinnock (Lab., Bedwellty) said there was clear evidence that the previous Government had received President Amin's rule with ecstasy "in spite of his record of being a murderer throughout his military career."

Mr. Tapsell said he had visited President Amin shortly after he became President. When he came back, he told the then Foreign Secretary that President Amin was "an exceedingly dangerous man who would cause nothing but tragedy for Uganda."

Mrs. Hart made an apology to Mr. Tapsell. It was clear that his was one of the wise voices which counselled against the then current opinion of the Conservative Government, she said.

Ministers accused of complacency

SIR GEOFFREY HOWE, shadow Chancellor of the Exchequer, yesterday accused Government Ministers of "dangerous complacency" over developments in Britain's economy.

He said that Mr. Joel Barnett, Chief Secretary to the Treasury, had recently declared that virtually every economic indicator was showing signs of improvement and other Ministers had given the impression that things were "coming right."

But the harsh facts were that unemployment, already a record, was still rising and that inflation was likely to be in double figures for the foreseeable future. The outlook for any help from the growth of world trade was "far from bright."

Sir Geoffrey said that only the balance of payments was improving and this was almost entirely due to North Sea oil.

He told the Northern Ireland Chamber of Commerce and Industry in Belfast: "The presence of North Sea oil is solely a gift of providence. And the fact that we are now able to exploit it is solely due to the high risk taking endeavours of private enterprise."

Written Answers

EMPLOYMENT

Mr. Robert Adley (Con. Christchurch and Lymington), is the Secretary of State satisfied with the availability of apprenticeship opportunities for people seeking full-time employment in the hotel and catering industry?

Mr. John Grant, Under-Secretary. I am informed by the Manpower Services Commission that although the total number of apprentices is not known, in the current training year there are 2,231 craft trainees registered with the Hotel and Catering Industry Training Board and that the total numbers of candidates for City and Guilds hotel and catering craft examinations during the last year rose to around 23,000. In addition, to stimulate recruitment above employers' normal intakes 200 premium grants have been made available and up to 30 training awards allocated to the industry for 1977/78 under the programme of special training measures.

All this represents a substantial training effort to meet the needs both of the industry and of those seeking to enter it.

LABOUR NEWS

Pressure by union made ACAS unfair, says QC

THE OPENING salvos in the legal battle between Grunwick and the Advisory, Conciliation and Arbitration Service were fired yesterday as the hearing under Lord Widgery, Lord Chief Justice, began in the High Court.

The hearing, which could stretch into next week, involves a claim by the company for an order that an ACAS recommendation that the company should accept negotiating rights for the Association of Professional, Executive, Clerical and Computer Staffs is invalid.

Mr. George Ward, managing director of Grunwick Processing Laboratories, was escorted into court by police when he arrived for the hearing.

Pressure on ACAS had resulted in unfairness to Grunwick, and the pressure had come from the union, APEX, claimed Mr. Mervin Heald, Q.C., opening the case for the company.

He said he was speaking "in legal terms, and not about personalities," and there had been "pressure by letter, meetings and telephone."

As a result ACAS was influenced in its treatment of the case to the detriment of the company.

"Unions may wish to bring pressure on ACAS. So might a company. But such pressure must be carefully resisted. On the evidence in this case, I regret to say it was not sufficiently resisted," said Mr. Heald.

Mr. Ward sat at the front of the court with Mr. John Gorst, the Conservative MP who, with the National Association for Freedom, has been advising the company in the dispute. Mr. Roy Grantham, general secretary of APEX, sat on the other side of the court.

Court of inquiry

Mr. Heald referred to the court of inquiry into the Grunwick dispute, which is due to start its investigations to-day under the chairmanship of Lord Justice Scarman.

He reminded Lord Widgery that the Scarman inquiry would not deal with matters before the High Court, so that there would be no clash of jurisdictions. Any order binding on any of the parties would have to be made by the High Court.

Grunwick's action was one of those exceptional cases in which public interest went far beyond the normal bounds of a court case, said Mr. Heald. As a result, the subject of contempt of court was virtually forgotten, in the sense that people said and did things that would normally be seized upon as contempt of court.

Grunwick and its legal advisers had considered their position, and so far no contempt

THE GRUNWICK HEARING

applications had been made, said Mr. Heald. But "I reserve the plaintiffs right entirely in that, if actions continue to be taken, or are taken afresh, which have the result of interfering with the plaintiff's ability to conduct this action, that is a clearest contempt of court, and it is a matter for any interested party to bring before the court so that justice can be unimpeded."

One of the problems of the Trade Union and Labour Relations Act was that, although it contained some familiar concepts, there were new ideas which had not been before the courts.

Ballot

Dealing with the legislation under which ACAS was set up, Mr. Heald said he would be calling expert evidence to help Lord Widgery decide what was meant by the word "ballot" when it was used to describe the procedure ACAS had to follow in deciding a claim for union recognition.

He submitted that the ACAS ballot in the Grunwick case did not comply with the law, because it did not include those who remained at work. If it was not a "ballot" under the Act, then ACAS had so fundamentally misdirected itself that its report could not be binding upon Grunwick, he argued.

ACAS had no power to recommend a closed shop; it could only recommend that a union should be recognised.

After the ACAS report was issued, Grunwick wrote to APEX asking if the union claimed recognition on behalf of union members or of all the workers. The union replied: "All workers."

Mr. Heald commented: "It seems to be an option for the union once it has a recommendation from ACAS, to go ahead and claim to represent all the workers."

ACAS had a positive obligation under the Act to canvass the opinions of the "workers to whom the issue relates." The phrase, said Mr. Heald, meant workers whose contracts of employment were going to be affected. That could only mean people at present working for the company.

Ceased to work

It did not include those people who had ceased to work, and it did not matter how it had come about that they had ceased to work for the company.

But, he said, ACAS claimed that "workers to whom the issue relates" included workers dismissed for going on strike.

The work of ACAS impinged not only on employers, but also on employees who were not members of a union. Its function was delicate.

"Unions may wish to bring pressure on ACAS, so might a company, but such pressure must be carefully resisted. On the evidence in this case, I regret to say it was not sufficiently resisted," said Mr. Heald.

ACAS's standards had to be above suspicion because its advice affected peoples' rights.

It had a duty to act fairly to both employers and employees. "However, there was such pressure by the union on ACAS in this case that it resulted in ACAS not behaving fairly towards the company."

Mr. John Hampden Inskip, Q.C., for APEX, suggested to Lord Widgery that it might be helpful to Lord Justice Scarman if the limits of the High Court hearing were indicated before the court of inquiry sat.

Lord Widgery said the greatest service that could be performed for Lord Justice Scarman was to get on with the court case as quickly as possible.

After reading the ACAS report, Mr. Heald said that the court was not being asked to conduct the inquiry all over again. "All we are seeking to do is to show that there are grounds upon which the court could say that the report does not bind the company."

He agreed with Lord Widgery that ACAS was entitled under the Act to make such inquiries as it thought fit. "That is a wide discretion," said the judge.

The hearing continues to-day.

Minister to join talks on hospital staff pay

By Pauline Clark, Labour Staff

A LAST DITCH effort to resolve the long-standing London hospitals' back pay dispute seemed in the balance yesterday after union leaders and management clashed over the terms of reference for arbitration.

Discussions on the possibility of arbitration are scheduled to take place late to-day with Mr. David Ennals, Health and Social Services Secretary.

But according to the National Union of Public Employees, the union involved, a row has now flared up over whether the proposed arbitrator should be looking exclusively at the overtime payment rate in dispute or at wider issues including the formula for working out the number of hours involved.

The union warned that any break-down in the preliminary talks could lead to a spread of industrial action by hospital workers.

More than six hospitals in the East End of London, including the London and Mile End hospitals have been subjected to nearly five weeks of lightning strikes and work-to-rule action by hospital ancillary workers because of a dispute about overtime pay dating back to 1964.

The 1,200 ancillary workers involved who include porters, laundry workers, cleaners and other staff, have so far failed to persuade the district health authorities to link their overtime payments to inflation.

At to-day's meeting they are expected to pursue their demand for payment at current values on the grounds that at least six other health authorities in the country have already made payments on that basis.

A proposal for arbitration through the Advisory, Conciliation and Arbitration Service was first mooted some two weeks ago but was rejected by union negotiators who argued that a solution to the back-pay issue was up to the discretion of the local health authorities.

Since that time, however, the Government's Health and Social Services Department has forbidden the ancillary workers' demands to be met because it would infringe pay policy.

Ancillary workers in other hospitals in the area, including the St. Bartholomew's teaching hospital, have added their support to the union claim by operating sporadic overtime bans for more than a fortnight.

Mr. David Kenny, hospitals administrator for the London group, said yesterday that the affected hospitals had managed to operate on a 70 per cent. occupancy rate. This was lower than normal for the district but compared well with other hospital areas in the country.

Engineers' pay row hits Lucas Group

BY PETER CARTWRIGHT, MIDLANDS STAFF

ALMOST ALL the motor and aerospace factories in the Lucas Group, key suppliers to U.K. and overseas manufacturers, were embroiled yesterday in a series of demands for higher pay. All of them involved engineers, of whom the most important are the toolroom personnel responsible for keeping equipment in running order.

Lucas is standing firm in the face of the biggest backlash against pay restrictions it had ever had to deal with. It says that apart from the repercussions of sectional payments on other groups of workers, there are clear implications that many of the demands, if conceded, would break the pay code.

Potentially the most damaging strike started yesterday. More than 1,200 toolroom workers at motor and aerospace factories employing more than 30,000 in the Midlands are supported by the Amalgamated Union of Engineering Workers in their fight to win a "proper re-assessment" of bonus points. These are linked to productivity and could yield around £2 a week extra.

The men claim that the labour force has been shrinking while production has been going up. Mr. Ken Cure, a district secretary of the union, alleged that after the management had tried to nullify the system it was taken up with the Department of Industry which, he claimed, approved the right of toolroom men to negotiate increases.

Negotiations had started in January and the procedure for avoiding disputes had been exhausted. "What has happened is that the company has nailed the bonus system down and it should be a flexible arrangement" he said.

It will be several days before anyone is restricted on supplies but after that a continuation of the strike could begin to bite deeply despite the coming holiday period.

The men also want substantial improvements in bonuses. Their action has closed the plant and made another 600 idle. Management says the majority of the points table, would have contravened the pay code.

The third claim is by AUEW members at all the aerospace factories for a straight 33 per cent. increase in wages.

The action by toolroom workers is part of a much wider unrest which, over the week-end brought into being the engineering craftsmen committee headed by Mr. Roy Fraser, the Leyland Cars convenor at the Oxford plant who is competing to succeed Mr. Hugh Scanlon, engineering union president when he retires.

The committee claims to speak for more than 20,000 engineering workers.

Journalists plan closed shop mass-action day

TRADE UNIONISTS, including miners, are being invited by Darlington journalists to join a day of mass action to step up the closed shop battle with North of England Newspapers, a National Union of Journalists spokesman at Darlington said yesterday.

Mass picketing is to be suspended for ten days as a gesture of faith to other print unions involved in peace talks with Westminster Press, parent company of the Darlington-based papers, the spokesman added.

A statement from the NUJ in Darlington said that the journalists on strike were to hold a day of mass action on July 15, the day before the traditional Durham miners' gala.

The plan was approved by the NUJ joint chapels (offices) strike committee yesterday.

The dispute is over the employment of a non-NUJ sub-editor on the Darlington and Stockton Times.

Talks on schools strike

BY OUR LABOUR STAFF

THERE WAS a glimmer of hope yesterday that a way out of the teachers' strike which has hit 36 schools in Oxfordshire might be found.

Mrs. Shirley Williams, the Education Secretary, said after meeting officials of the National Union of Teachers that some form of "informal conciliation procedure" might be arranged, possibly under a ministerial or independent chairman.

The union says it is willing to call off the strike to allow the issues to go before a disputes procedure provided Oxfordshire County Council drops its threat to sack teachers in the autumn.

Oxfordshire is spending less on education than the Government allows, according to the union. The county says education must take its share of the cuts, and that, through natural wastage, it has found permanent jobs for three-quarters of the staff affected by the cuts.

هكذا من الأصل

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Lightweight metal given a hard coat

PROBLEMS associated with the poor surface friction qualities of titanium have been satisfactorily solved and the material, with a protective coating of hard chrome, will be used extensively by Hawker Siddeley Dynamics in components it is to supply for the European space venture due for launching in 1980.

Poeton (Gloucester Plating) solved problems of plating titanium with hard chrome, connected largely with the fact that, initially, addition of the chrome coating caused problems inside the material it was supposed to protect and impaired its strength in some applications.

Working with a U.S. associate, Superior Plating Company, Poeton *developed a method of* application which does not cause embrittlement problems and the final coating has little or no effect on the fatigue properties of the metal.

As a result of the three years of research and development the Gloucester company is sure that chrome-plated parts in titanium will find a much wider use than before in the aircraft industry—they are already in use for racing cars, among other high performance units. There are also many applications in general engineering where the high strength-to-weight ratio of the metal is extremely attractive. *This applies particularly to parts* which are required to spin or reciprocate at very high rates since to use a light, strong material in them means a sharp reduction in the centrifugal forces created or in inertial stresses.

Alloys of titanium have already been extensively used in textile *machinery, rotors and other components.*

More from A. T. Poeton (Gloucester Plating), East Avenue, Gloucester GL4 7DN. 0452 26251.

● METALWORKING

1. Press. 2. Work table with formed parts. 3. Freezer for blanks.

Big squeeze makes aircraft parts

BIGGEST OF the high-pressure fluid cell presses so far ordered in the West is a 57,000-tonne unit just contracted for by ASEA for Lockheed Georgia Company and to be used in the production of large components to high tolerances for the large military transport planes for which Lockheed is famous, as well as for executive jet components.

Derived from the Quintus press technology ASEA has been pursuing for several decades, the fluid-cell press resembles a barrel laying on its side. At the *end of the press there is a work* table to hold the dies and the sheet metal blanks; these are rolled into the press *en masse* and forming takes 80 seconds.

The upper half of the press houses a large flat fluid cell in the form of a diaphraghm of a polyurethane compound. In a forming operation this is filled with the hydraulic medium—oil pumped to extremely high pressure.

This pressure causes the fluid cell to expand and force the dies against the blanks.

Because the pressure is so enormous and is applied progressively, the blanks are forced around the dies with the highest accuracy and the finished component needs no further processing, in most instances.

Only one forming member is needed and the cell acts as a die or punch as required, so that tooling costs can be kept low. For small batch production this is invaluable.

A second press just ordered by a U.S. company is a 40,000-tonne *unit providing a pressure of 700* bar (against the 1,000 bar of the first machine) for General Dynamics. It is to be used on the F-16 jet fighter ordered in large numbers by NATO countries.

Both machines will be used on high strength aluminium components and they are to be delivered next year, adding £1.2m. to the order book for this type of equipment which has moved well despite the near stagnation in many areas of aerospace *manufacturing.*

As indicated above, these are not the largest such units ASEA has built for other countries. In the 1973-75 period, six 71,000-tonne (1,245 bar) machines were delivered to the USSR and at the moment a 40,000-tonne (700 bar) unit is being installed in Poland.

As each press costs well over the £1m. mark, this is a market of considerable importance to ASEA, undoubtedly the world market leader in this area of high pressure technology.

More on the latest contracts from Villiers House, 41 Strand, London.

● COMPONENTS

Stops dust from sacks and silos

THREE UNITS for controlling dust emissions from powder handling systems have been introduced by Hivent, Wear Estate, Washington, Tyne and Wear (0632 466204).

Called Hi-Sac, one machine is intended primarily as a sack-tipping booth for large process vats and mixing vessels. Fitted at the charging point, it contains a fan which draws in air throughout the sack-tipping operation, preventing the escape of dust.

There is a choice of four fans with volumes of 500, 1,000, 2,000 or 3,000 cfm and four interchangeable filter sections with filtration areas of 80, 130, 220 or 330 square feet. The fan operates only when the charging door is open. The filter can be automatically vibrated clean when the door shuts.

The other two units, Hi-Silo and Hi-Pressure, are for fitting to storage silos, unpressurised and pressurised respectively. They filter the exhaust air displaced when powdered or granular products are conveyed pneumatically from bulk-delivery vehicles.

● AGRICULTURE

Spreading it wide

FERTILISER CAN be spread to a width of 12 metres (39 feet 4 inches) with a trailed pneumatic distributor from Nodet Gougis, of Montreaux, France.

The metering mechanism is ground wheel driven so that output is proportional to the forward speed. Drive to the metering rollers of each of the twin booms is controlled individually from the cab. Application rates vary from 65 litres/hectare (about 55 lbs./acre) up to 2,400 litres/hectare (about 2,040 lbs./acre).

A large capacity fan delivers the fertiliser along tubes to 48 spreader plates only 25 cm. apart, which is stated to give an extremely accurate spreading pattern. Breakaway devices protect the booms from accidental damage, and they can be raised and lowered hydraulically from the tractor cab to clear field obstructions.

Two models are available, with capacities of 4 or 6 tons, with the weight distributed ⅓ on the trailer wheels and the rest on *the tractor.* A scanner monitors fertiliser levels in the hopper.

U.K. agent is Colchester Tillage, Hythe Hill, Colchester, Essex. (0206 79451).

● COMPUTING

Monitor for remote work

AFTER evaluation of Software AG's new remote process monitor, "Com-plete," Adabas will market and support the product in the U.K.

Software AG of North America, which also market the Adabas data base management system, acquired Com-plete in January this year. Com-plete is not a new product. The first version was developed by a user installation about ten years ago. From 1973 the product was rewritten *to take full advantage of virtual* storage, and also to modularise the system in order to simplify maintenance and development.

The original Com-plete development team has joined Software AG. Some members of this team are engaged in development work in the U.S. and others have been transferred to Darmstadt in West Germany to provide a support centre in Europe. Adabas is training its own staff to provide local support in the U.K.

Six areas covered include entry with its attendant message switching and transaction processing; program development and testing; maintenance of systems software; operation; interface; batch on on-line working; interface to the database.

More from Adabas at Burton Road, Derby DE3 6... 0332 362382.

Titanium in North Sea pipework

TITANIUM compression fittings have been supplied through the Astro Metallurgical Corporation for the titanium pipework on the new Shell/Esso Brent Field 'C' oil production platform being constructed at Ardyne Point, Scotland, by Sir Robert McAlpine and Sons, and Sea Tank of Paris.

Extreme weather conditions experienced in the North Sea make welding such pipework on the platforms impossible.

Titanium compression fittings solved this problem and allowed for future system changes in the pipework with ease of maintenance.

Suitability of several alternative metals was thoroughly investigated before it was decided that titanium would provide greater overall efficiency through its anti-corrosion and thermal transfer characteristics and very low "fouling" factor, the latter drastically reducing maintenance cleaning procedures.

Further details from Astro Metallurgical at Cavalier House, 202 Hagley Road, Birmingham B16 3PP. 021-454 7073.

● RESEARCH

Surface erosion precision test

NOVEL IN a radioactivation measurement technique for the determination of wear or corrosion, or the depth of sputtering on a surface, is the fact that activation can be applied reliably to a very thin layer.

Devised by a team under the leadership of Dr. Tom Conlon at Harwell, it depends on the treatment of an area — generally about 3 square millimetres — with a proton beam. Areas up to 5 square centimetres may be treated if required.

Depth of the activated layer is normally between 50 and 300 micrometres, but layers as shallow as 10 micrometres or as deep as 1000 micrometres may be created.

It is possible to measure a very small surface loss since sensitivity with a 50 micrometre layer is about 1 per cent. of the active materials. This means determining wear to 0.5 micrometre. Wear or corrosion inside equipment may be measured without dismantling and the method may be applied to open situations where it is not possible to collect wear debris.

Total activity is very low — as little as that of a luminous dial, the developers say. This should provide exemption from radioactive substance regulations for most applications.

CAV has used the technique to determine fuel injection rotor wear on components intended for diesels. BP has applied it to cylinder liners in order to assess the anti-wear properties of lubricants.

Further details of the process and its potential uses from Dr. Conlon, Building 477, Harwell, Oxfordshire OX11 0RA. 0235 24141.

● COMMUNICATIONS

Light fibre is easy to make

THE IMPRESSION that must, by now, exist in the minds of many that to set up in production of communications quality optical fibre a multi-million pound investment is needed, implying a company of the size of, for example, Corning or ITT, could well be wrong.

According to Heraeus of Byfleet, Surrey, this is not the case. By using glass pre-forms made at the parent company at Hanau near Frankfurt it is possible to set up a production unit for a sum not likely to exceed £100,000. But the company concedes that to proceed to the manufacture of a complete communications system the bill is a good deal higher.

Heraeus offers a fluorine-doped silica pre-form 10 mm. in diameter and 500 mm. long from which, using conventional electric furnaces or oxy-hydrogen burners, a continuous 10 km. length can be produced in either graded or stepped refractive index cross section.

Likely customers will be companies interested in shorter range systems for the transmission of speech, data or video signals within private systems, the longer range end of the market already having been potentially catered for by those companies such as STC, BICC and TCL who are already operating closely in conjunction with the Post Office.

Fibres drawn from the Heraeus pre-forms have attenuation losses of less than 6 dB/km at 0.8 to 0.9 micron wavelength with numerical apertures greater than 0.18 and 0.2 for graded and step index types respectively.

More from Dr. J. Lambert, 420 Oyster Lane, Byfleet, Weybridge, Surrey (Byfleet 49315).

Does more than reply

NOT LONG ago the telephone answering machine was a bulky, difficult-to-use piece of office equipment which did little more than just play a pre-recorded announcement to the caller and invite him to record his message.

To-day's machines are taking *on a quite different flavour.* The latest unit from Ansafone for example carries out quite complicated actions automatically, can take dictation, transcribe, and be operated remotely in a number of ways. It is also a loudspeaking telephone.

Using standard Philips pattern standard cassettes for mes*sage and announcement record*ing, it is operated by a row of touch pads with integral indicator lights.

When the red "message" lamp shines, to hear what the caller has said it is only necessary to touch the rewind pad; the machine will then rewind the tape, play the message over the built-in speaker and put itself back on line ready for the next call.

Alternatively any messages on the tape can be heard from a remote phone by dialling the number to which the machine is connected and then speaking the word "go" at pre-determined intervals between tone "pips" that will be heard.

The points at which to say "go" are determined by switches at the back of the machine so that only those knowing the current code can interrogate the machine for messages.

Alternatively, a live phone conversation can be conducted via the machine, and both sides of it recorded. Or, at any moment callers can be passed over to the *machine to leave lists of* components, prices, addresses, etc. if desired, previously recorded messages can be played down the line to the caller.

Employing an optional microphone, headset and foot control, the model 800 becomes a fully fledged dictation machine.

Recorded messages are protected; new ones can only be recorded on clean tape, which the machine will find, and nothing can be erased without positive action being taken to do so.

The machine is only about 10 per cent. dearer to rent than the company's existing top model at £4.62 a week over a seven year contract. Ansafone is at 19, Upper Brook Street, London W1Y 2HS (01-499 9232).

● CONFERENCES

Reducing drag in fluids

IN ANY system or process where fluid is pumped over some distance drag-reducing agents can improve performance.

To show how the problem of reducing drag is being tackled and to discuss what future developments are necessary, the British Hydromechanics Research Association is organising the second international conference on drag reduction. It will be held from August 31 to September 2 at St. John's College, Cambridge.

Speakers from nine countries will present 22 papers, blending practical experience with theory. Among the subjects discussed will be the use of polymer additives, the effect of their degradation, and the advantages obtained.

Other subjects to be covered include scale-up problems; suspensions and soap solutions; turbulence structure and mass transfer; surface effects; and two-phase flow.

Details from BHRA, Cranfield, Bedford MK43 0AJ (0234 750422).

● INSTRUMENTS

Sees tablet structure

OFFERED by Newman-Howells Associates is an instrument that will determine the internal strength of a pharmaceutical tablet or similar item by measuring the cutting load while the tablet is being drilled.

Up to now determination of internal strength has been difficult, resulting for example in *the peeling of the external layers* of the tablet.

In the TH2 instrument a charted histogram or profile of the tablet can be recorded which will give useful data on the layering (sugar or film coatings for example). In operation, a load cell arrangement monitors the progress of a specially *designed drill tip, sensing any* change in the structure. More from Maple House, Chilbolton, Hampshire SO20 6BQ (096273 3553).

● POLLUTION

Lamps show the reading

A METER display which accepts an analogue input and lights up a row of light emitting diodes in proportion is offered by Aim Cambridge, Edison Road, Industrial Estate, St. Ives, Cambs. PE 17 4LF (0480 63225).

LBM306 has a display consisting of a row of 21 LEDs on a 2.54mm. pitch. These light up successively as the input voltage increases so that with zero input only one is lit while at the full scale input of 100mV, all 21 come on.

When the voltage is between two levels, the next diode in the line will glow at an intermediate brightness. This allows interpolation between points to increase the effective resolution to better than two per cent., with good trend determination.

The meter, which costs no more than a good moving coil instrument, is designed so that any number can be stacked side-by-side to give a neat multi-channel display. Powered from any standard 5 V dc supply, the unit is bright enough to be viewed in direct sunlight and there is a control to reduce the brightness if needed.

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هكذا من الأصل

he future of many advanced engineering projects is threatened by soaring costs.
avid Fishlock examines new U.S. proposals for solving the problem with teamwork

plit the risk of daring design

T THREE years ago a top utive from Combustion neering travelled 3,000 s across the U.S. to join eral Atomic, the joint ear venture of Gulf Oil and l Dutch Shell in San Diego. he new chief executive of eral Atomic's power systems ion, the first task he set self was to go through the ts and study the terms of contracts it had won for big nuclear reactors of a l type.

ichard A. McCormack was ified at what he found. n the parent companies d his bad news one wanted shut down the company t away. The other, although ess appalled, had the problem that it had bought a half- for $200m. only six ths before, to a blaze of licity surrounding its first plunge into the nuclear iness. The biggest loss in its pry would lose Shell a lot ace if it tried to walk away quickly from the nuclear iness.

cCormack's disclosure was General Atomic had undermated its costs for its 10 ers by a cool $250m. As a lear salesman with Combus- Engineering, he knew the alls in these big contracts. eral Atomic was labouring er an additional handicap hat its system was not even rating on prototype scale. ructions were issued by the ent companies that General mic was to renege on its tracts. McCormack himself, ly unpopular for so dramally exposing the commercial knesses of General Atomic, its employment early last r.

ut the man who some had n tipping for the top job at nbustion was not so easily couraged. He had switched ps, he claims, because— Shell—he believed that the y type of nuclear system eral Atomic had tried to mercialise really was a ter system.

he system, called the high-perature gas-cooled reactor GR), is a more advanced ion of those used in ain. Much more sophisti- d and difficult to engineer the light water reactors [illegible] kind Combustion were [illegible] making, it had been promoted by General Atomic as the "environmentally acceptable" reactor. Were its advantages to be lost for ever because of the daunting scale of the "launching costs" for a new system—so much so that even two oil majors could not afford to meet them?

Indeed, the question is relevant to a much wider span of advanced engineering than thermal nuclear systems: to any jumbo-sized project where there are still major uncertainties associated with the science or engineering; coal conversion and the coalplex concept, the fast breeder reactor, oil-from-shale technology, fusion reactors, solar satellites, and so on. Is there any prospect that U.S. industry will ever commercialise these systems?

No company, McCormack believes, has made a profit out of commercial nuclear reactor sales yet. The cumulative losses of the five U.S. nuclear reactor vendors may exceed $3bn. With the HTGR the negative cash flow that would need to be sustained was of a magnitude that made even two oil majors blanche. Losses on this scale implied that a company was gambling its future on a single piece of technology —much as Rolls-Royce had gambled its future on the RB.211 aero-engine.

Richard A. McCormack, President of RAMCO

Isolated

McCormack proposed that the U.S. Government should fund a study of the problems of commercialising the HTGR. The idea would be to see if the underlying problems could be isolated and a new mechanism found for spreading the cost and the risk. If this could be done, the lessons might have a much broader application within the energy industries.

The U.S. Energy Research and Development Administration offered McCormack's new company, RAMCO, $2.1m. to make such a study. RAMCO's draft final report has just been submitted. What has emerged is a proposal for a new tripartite partnership between customer, contractor and government, of a kind non-existent in the U.S. at present.

The study set out to answer five successive questions about the HTGR—successive in that if the answer to any one question proved to be "No" there was little point in continuing the study. The five questions were:

1—Is the technology of the HTGR sound?

2—Is there a market for the HTGR?

3—Are there benefits to the nation that justify continued development and Government support?

4—Can a project be put together to commercialise the HTGR?

5—Is it feasible to establish bodies to execute such a project?

The study so far indicates that the answers to the first three questions are "Yes." RAMCO invited a number of major U.S. engineering companies to examine the critical features of the technology and concluded that there were no major insurmountable problems. It talked to over 30 U.S. electrical utilities, representing some 75 per cent. of the U.S. market for power plant, and concluded that even if electricity growth remained low there would still be a market for the new reactors. It also concluded that it would be greatly to the national advantage for the HTGR to survive, chiefly because of its attractions in uranium conservation and in the control of nuclear proliferation.

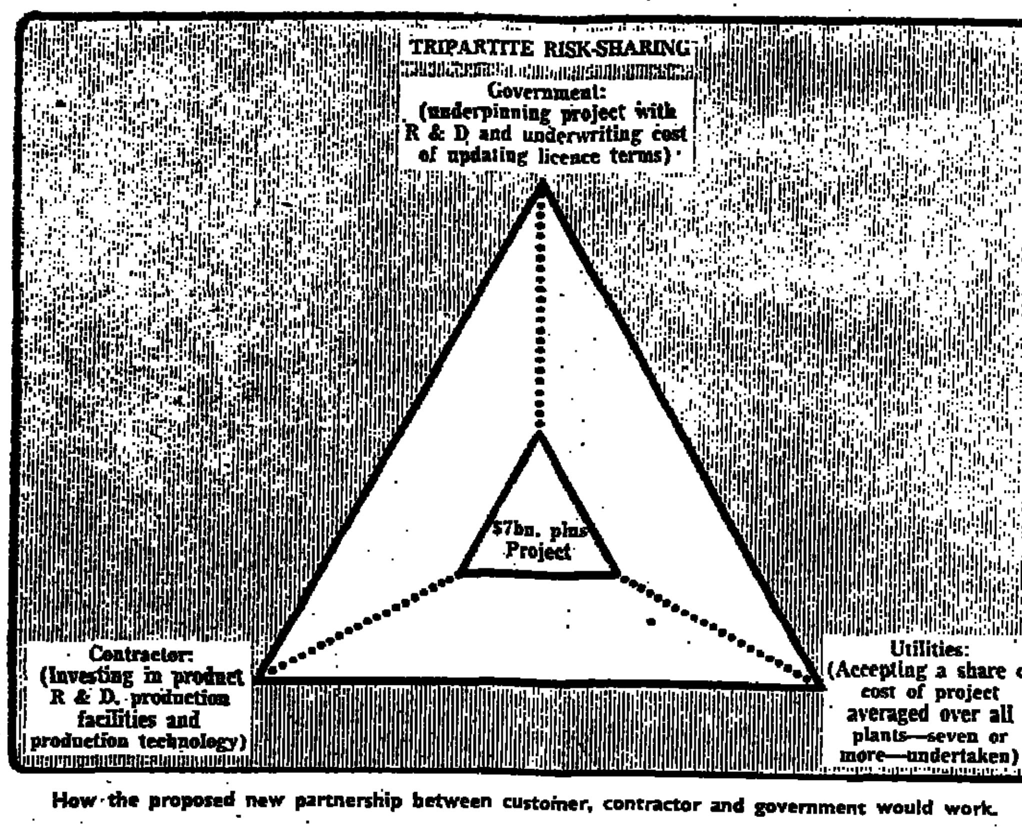
To question four there is as yet no convincing answer. The U.S. utilities are also studying the matter independently. But the consensus so far is that the way to proceed is to accept the experience of three experimental HTGRs — in Britain, West Germany and the U.S. itself—together with the 330 MW demonstration power station at Fort St. Vrain near Denver, as a convincing joint demonstration that the technology works. (The weak point is that Fort St. Vrain, nearly nine years under construction, has still not exceeded 40 per cent. of the output it was designed to achieve.)

The RAMCO report thus concludes that the next step—once Fort St. Vrain has performed satisfactorily at full-power—should be a commercial project involving not one but several full-scale HTGRs.

Question five is really the kernel of the problem. There is no way at present in the U.S. of launching a multi-plant project unless a utility chooses to order its plants in quantity.

So great are the risks—even risks from delays in completing plants to the required performance—that no utility is likely to place such an order for unproven technology. In Britain between 1965-70, two state-owned utilities, the Central Electricity Generating Board and the South of Scotland Electricity Board, placed orders for five gas-cooled nuclear stations of a novel type, at a cost of approximately £500m. The present estimate, with three stations still to reach power, is £1,120m.

This loss will be carried by the utilities. But in the U.S. the financial risk is carried mostly by the reactor vendor. Until now the U.S. utility has seen itself as a low-risk business. It negotiates what is effectively a fixed-price contract for the nuclear system with penalty clauses on non-performance.



How the proposed new partnership between customer, contractor and government would work.

Shortfall

What RAMCO's study proposes is that the utility in its own long-term interest should enter into a tripartite risk-sharing venture with the other two major parties to energy plant contracts, namely the vendor and the government. The government's presence would be essential not so much as a source of cash but because its own involvement in energy production, for political and strategic reasons, is increasing.

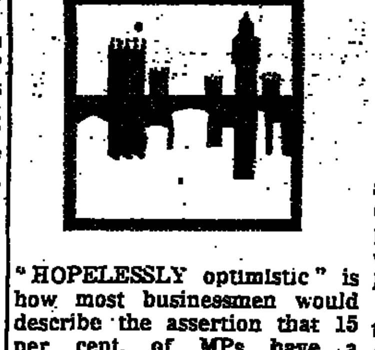
RAMCO envisages that several utilities might enter into a project to launch the HTGR, each accepting a share of the costs averaged over all plants in the project. Any shortfall in a plant's perfomance would then be spread among all the sponsors. For their part the vendors would make the investment required in production facilities commensurate with the number of plants in the projects—probably a minimum of seven. They would guarantee delivery and manufacturing costs.

The government's role would be more diffuse. It would include a readiness to support and finance, in the national nuclear laboratories, the technology underpinning the project. It would also underwrite the terms of licensing and the risks of "backfitting"—modifications once the plant has been constructed intended to adapt to changes in the terms of licensing.

Assuming a nominal $1bn. per plant, what we are talking about is a project costing $7bn. or more. How does RAMCO propose to launch such a project on a tripartite basis among prospective partners which tend to be mutually antagonistic? It sees, first and foremost, a need to induce all three partners to inch their way towards one another. Its report proposes a new mechanism for doing just this, in order to persuade two of the three partners to increase their readiness to absorb risk.

The irony of nuclear risk-taking in the U.S. at present is that the high-risk reactor portion of the plant is negotiated on a fixed-price basis, whereas the comparatively low-risk balance-of-plant portion is negotiated essentially on a cost-plus basis. The RAMCO idea is to avoid false cost economies impinging upon the very portions of the project whose costs could escalate most damagingly if neglected.

Richard McCormack claims that this study discloses a serious interest on the part of two of the three prospective participants in launching an HTGR project. The RAMCO report, he is hoping, will also persuade the U.S. Government to participate—and to explore the new mechanism as one that might be applicable to other high-technology projects which have outgrown the resources of individual companies.



INDUSTRY AND PARLIAMENT TRUST

Not a lobby—just an offer of fellowship

"HOPELESSLY optimistic" is how most businessmen would describe the assertion that 15 per cent of MPs have a "detailed, practical working knowledge" of industry. Yet the claim was made at the weekend by one of those most closely involved in launching a new scheme to promote such experience and knowledge.

Whatever one's view of a statistic which is at best subjective, there will be much less disagreement with the same executive's remark that his company's dealings with MPs showed they had an almost complete lack of sympathy and understanding for industry.

Serious concern about this state of affairs has prompted 11 of the country's leading companies to set up a scheme which will give fellowships to 25 parliamentarians at a time.

Speaking at the launching of the scheme, Lord Diamond, chairman of the trustees, emphasised that it was not intended to become a lobbying organisation. As chairman of a trustee board composed of Lords from the three main parties Lord Diamond also underlined the non-party nature of the affair.

The scheme is intended to operate as follows, starting in the autumn. The trustees will select 22 people from what they hope will be a sizeable list of applicants, assigning two—from different parties — to each of the 11 companies. Only when more companies join can the number of fellowships be increased; the participants feel that two parliamentarians per company is enough, given that they will be asked to commit themselves to spending time with the company for at least 25 days a year outside parliamentary sessions, for between one and three years. At least a week a year must be continuous.

To avoid the scheme being misused, fellows will only be paid— by the Trustees—for any financial loss they can demonstrate has arisen because of their participation; this will include expenses.

Lord Diamond was suitably sybilline about the basis for selection. Neither left- nor right-wingers would be excluded, he said. But the applicants would have to be interested in the scheme for "good reasons." Ideally, the chosen few would be those thought most likely to contribute to the government of the country. Underlying his remarks must be some concern that the most likely applicants will be those with spare time on their hands—which in many cases, it could be argued, will be the less effective MPs.

Much will depend upon the attractiveness of the fellowship programmes. After a two-day induction seminar at the Henley Staff College, fellows will go off to the companies for a programme of work designed to show them how industry works from boardroom to shop floor and back again. Fellows will have some say in the programmes, which will be subject to the trustees' approval.

BOC International, whose chairman, Leslie Smith, pioneered the Trust concept well over a year ago, has already composed a long list of possibilities, some of which would be combined to form a package. Each would take the fellow to a different BOC division to show—and involve him in—various aspects of management in action: training and career development in the chemicals division, for example, asset utilisation and management in property, factory management in a third division, and so on.

BOC's example of capital investment planning—the most controversial subject of all—would be selected as late as possible, so the fellows could get involved in a live situation.

C.L.

Question of where funds go

A DISPASSIONATE examination of "novel issues" raised by Government involvement in an increasing number of private companies is overdue according to Gabriele Ganz, author of a recently published book which examines the constitutional issue of public accountability and the wide range of procedures and mechanisms by which billions of pounds of public money are injected into industry.

The author also sees it as necessary to look at the different types of intervention made by Government in industry and at the wider implications of Government's relationship with industry.

In discussing the problem of how to hold recipients of public money accountable to Government, Parliament and the public, Gabriele Ganz says that what emerges is that company law does not facilitate public accountability of limited companies.

No consistency

There is, according to the book, no consistency among Government Ministers in their willingness to accept or deny responsibility for situations in companies which receive Government funds. It is not difficult for them to avoid answering questions on the grounds of confidentiality on information or that the issue in question is the responsibility of the firm.

Another point made is that, under the present mechanisms for seeking information on companies in receipt of public funds the setting up of agencies and public corporations—such as the National Enterprise Board—create a barrier between MPs and the firms which they may wish to seek information on. Such organisations enable Ministers to deflect questions from themselves, it is maintained.

Government and Industry, by Gabriele Ganz. Professional Books, Abingdon, Oxon; £6.80.

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TUESDAY, JULY 5, 1977

Critical days for pay

THIS WEEK, in which the annual conferences of both the transport workers and the miners take place, is the beginning of the final run-up to an agreement between the Government and the TUC, however rudimentary, about wage policy after Phase Two ends on July 31. Mr. Jack Jones, the general *secretary of the TGWU* and the man on whom ministers are probably relying most to ensure that an agreement of some sort is forthcoming, has already made it clear that they cannot expect much. He is, of course, opposed to excessive wage increases and believes that union negotiators should take the state of the economy as well as the position of individual employers into account.

But he is also opposed to the mention of any norm or central figure around which pay negotiations might centre. The main brake on pay increases, in his opinion, should be a strict observance of the established convention that there should be a gap of 12 months between successive increases: this would have the effect of spreading higher wage costs over a period of time and avoid the danger of everyone rushing to submit a claim as soon as Phase Two comes to an end. In return, he believes, the Government should take some form of direct action to hold back prices and allow the TUC to set a new minimum wage target.

Miners' push

These concessions to trade union feeling would undoubtedly have their disadvantages. The harmful effect of Government intervention in public sector pricing, not only on its own finances but on the management of the nationalised industries, has become particularly obvious in the past few years; while the enforcement of a minimum wage would probably reduce employment opportunities and harm some of those it was intended to help. Nor would ministers be getting much in exchange for them. Apart from the absence of any norm, it remains to be seen whether the TUC is prepared to issue any detailed guidance on some of the practical matters which the TGWU will be debating tomorrow—such as the consolidation of past increases, the eradication of anomalies and the restoration of differentials (two aims which in practice may often be opposed to one another), and a reduction in the length of the basic working week.

The maintenance of the 12-month rule would, indeed, be some insurance against a wage explosion. But the miners yesterday, despite a warning from their president, Mr. Gormley, seemed determined not only to press for substantial pay increases for surface as well as underground workers but to press for this increase to be paid several months before the 12-month interval comes to an end. This would be the more disruptive since it has already been agreed that a productivity scheme and an early retirement scheme can get under way when Phase Two ends without waiting *for the full 12 months.* It would undoubtedly encourage those smaller unions whose leaders have already said that they mean to observe no rules after July 31.

Price moves

The probability, however, is that the Government will consider any agreement with the TUC better than none. The price proposals contained in yesterday's White Paper—which concern industry mainly because they create uncertainty and provide inadequate safeguards at a time when profitability is still low—are contingent on such an agreement, and it now seems likely that ministers will be ready to postpone some price increases in the public sector. The amount that can be done here is limited.

But, after a number of meetings, the Chancellor will announce his package and the TUC will draw up a resolution for presentation to the September Congress. What happens then will depend largely on the resolution in which Mr. Healey sticks to his monetary target.

A double warning from Australia

THE ATTACK on the EEC's trading policies by the Australian Prime Minister, Mr. Malcolm Fraser, coupled with an implied threat to withhold uranium supplies, poses a triple warning for the future of trade relations. The uranium producers, already being sued by Westinghouse in the U.S. for forming a cartel, are beginning to feel their political muscle at a time when trade is becoming increasingly politicised. Further, the EEC is in one respect highly vulnerable *in these conditions — the common farm policy*, which has operated relatively smoothly in a series of poor world crops, is becoming increasingly offensive externally as production recovers.

Uncomfortable fact

The access of political strength to uranium producers, an uncomfortable new fact of international life, arises not from the example of OPEC, which simply led to a price increase which was expected, but from President Carter's non-proliferation policy. The U.S. now attaches high importance to limiting the spread of fuel reprocessing facilities because it is increasingly felt that the existence of such facilities in non-nuclear countries poses a security threat to the world. This puts an additional premium on supplies of uranium. If the non-proliferation policy remains a high priority — and there is no cause to doubt the President's seriousness — then it is bound to raise awkward questions for the U.S. in its relations with South Africa — and now, it seems, for EEC relations with Australia.

These difficulties arise at a time when trade issues in general have become much more politically explosive. World-wide recession has naturally brought ever-louder demands for protection from industrial lobbies in all the developed countries. These have largely been met by what the Americans have characterised as orderly marketing agreements—negotiations to secure supply restraint or higher prices from the countries, mainly Japan, which were posing a threat of "disruptive" sales growth. This approach appears to fit in well enough with the unique relationship which exists between Japanese government and industry; and by moving protection back to the source of supply, governments have been able to avoid raising overt barriers which would only increase the pressure for further protection. As a temporary measure, such agreements may well be the least of likely evils.

Horse trading

However, the kind of horse-trading which constitutes trade policy at the moment — which already embraces such diverse *products as cars, television sets,* shoes, textile, ships and ball bearings—naturally encourages governments to enter their own favourite horses; and Mr. Fraser has now drawn sharp attention to the EEC's biggest sin in international trading, the common agricultural policy. Recent debate on the CAP has tended to concentrate on the internal costs and distortions which it causes; but as production is now rising in the main temperate exporting countries, its external effects are bound to cause renewed contention.

The U.S. farm lobby has long complained about its limited access to the European market; Mr. Fraser complains of subsidised competition in third markets.

This is particularly unfortunate because in many respects the EEC should be expected to give the lead in ensuring that the coming multilateral trade negotiation gives a fresh and much-needed impetus to liberal trading. Neither time nor the present shifts and arguments are on the side of harmonious talks: on the contrary, supplier "self-restraint" has a way of fading away as new supply routes are developed, and case-by-case horse trading seems to be getting increasingly acrimonious.

The City plans its own police

Lord Shawcross (left), Chairman of the City Takeover Panel, and Lord O'Brien, for Governor of the Bank of England: will they launch the City's new Council for Securities Industry in tandem?

BY MARGARET REID

A NEW SUPER-UMPIRE body, designed to ensure fair play not only in takeovers but in the City's security markets generally, is likely to be created before the summer is over. Secret discussions which have been taking place under Mr. Gordon Richardson, Governor of the Bank of England, will shortly be widened within the City in the hope that a sufficient consensus can be reached to make an announcement possible within two or three months.

The new body, not yet finally agreed on, is the City's formula for improved and extended self-regulatory discipline in the securities industry which the Government is looking for as the alternative to a government agency acting as stock market watchdog as in the U.S. It is the financial community's effort to prove that it can police its own affairs and effectively deal with scandals in the stock market area outside that covered by the law.

The new supervisory authority would crack down with outspoken public statements against those seen as breaching the City's best standards of behaviour in stock market and other deals — much as the City Take-over Panel does in the bid field. It would watch for developing problems in the City's business and it might also carry out investigations called for.

The high-powered body, probably to be called the Council for the Securities Industry (CSI), is envisaged as drawing much of its authority from a chairman, intended to be a very senior personality — like, for instance, Lord O'Brien, former Governor of the Bank of England, or a leading judge. Membership, like that of the successful Take-over Panel, would be drawn from the main City bodies and the Confederation of British Industry, with lay members from outside to avoid any flavour of a self-protective City club.

The intention is that the proposed CSI should keep a constant watch for signs of market rigging and other malign practices, as does the Securities and Exchange Commission, in the U.S. It would probably absorb the Take-over Panel (while preserving that organisation's authority) and work in close harness with the Stock Exchange Quotations Department, which administers the rules in the lising agreement with companies whose shares are quoted.

It would, it is hoped, also cast its net over the peripheral but often important areas of trading in shares not covered by the panel and the Stock Exchange.

There are several sectors not within the ambit of the Stock Exchange which it may well be desired, in some way, to bring within the purview of the new body. These include ARIEL, the merchant bankers' computerised share-dealing operation, the over-the-counter market in some shares operated, for instance, by M. J. H. Nightingale, licensed dealers in securities, security dealing by American and other foreign brokers in London, and certain aspects of Euro-market trading.

This raises the question whether a new body, however eminent can without legal powers carry sufficient authority in these peripheral sectors.

Although much of the pattern of the CSI—its exact scope, structure, relationship with other bodies, financing and other aspects—is subject to further discussion, its character and outline are based on a report made by Mr. David Macdonald, now director-general of the Take-over Panel, and Mr. Jeffrey Knight, deputy chief executive of the Stock Exchange, in February. Their report had been commissioned by the Governor of the Bank of England, who asked them to consider how a wider form of self-regulation of the securities industry might work. Mr. Richardson had held a secret meeting in November with representatives of the main practitioners in the securities industry—the Stock Exchange and merchant banks—and representatives of the main user bodies, such as the *associations* of insurance companies, pension funds, and other institutional investors. This gathering had in turn followed a Parliamentary statement in October by Mr. Edmund Dell, the Trade Secretary, that "the Bank of England should develop its surveillance of the securities industry, with a view to improving the effectiveness of the existing self-regulatory machinery."

From the very limited soundings confidentially taken so far, it appears that the project is not an entirely uncontroversial scheme. There is pretty general agreement in the City and in industry—*if not in Labour Party* political circles—that a statutorily-based body on the lines of the American SEC is best avoided. The key argument advanced by the City in defence of continued self-regulation over the area not covered by the law is that a legally-backed body is no more successful in checking the crooked operator than is an authoritative and well-backed voluntary control system, but costs the well behaved more time and trouble. But there is some feeling among those whose views command a lot of respect that a bigger step than CSI should be taken if there is to be an extension of the City's *existing* system of self-regulation.

Certain prominent City personalities have a preference for a much broader advance to a self-regulatory authority which would police not only the securities industry in its widest sense, but also other sectors like the commodity markets, the Baltic Exchange (shipping), Lloyd's, the discount market, and perhaps the accountancy profession. They include Lord Shawcross, who has for nine years headed the Take-over Panel—generally regarded as a case of successful self-regulation because it operates quickly and without legal powers has exacted virtually total compliance with its rules.

In his latest annual statement as chairman of the Panel, Lord Shawcross said: "It may be for consideration whether a single City Commission or Panel should be established, with separate divisions dealing with particular classes of matter but still as a voluntary and self-regulatory body capable of dealing with any unethical conduct in the course of transactions affecting the business of the City."

At least one leading City merchant banker is also among those rather favouring a farther-reaching initiative. However, those of this viewpoint would not necessarily be opposed to a more limited move for the securities industry, at least as a first step.

On balance, the new project for a CSI seems, so far, to command a majority support in the City. Indications are that the Government, having opted for continuance of the present combination of statutory (mainly through company law) and self-regulatory control—but having called for improvements in the latter—will let the City go ahead with its proposed new system. It will watch and wait to see how the project works.

But there is no doubt that Mr. Dell wants the impending changes to the self-regulation system to be a reality, and his influence has probably been towards putting as much content as possible into the new framework. Certainly he does not want developments held up until after the report, in up to two years' time, of Sir Harold Wilson's committee on financial institutions whose tasks include considering the City's supervisory system. Meanwhile, the Government is turning its own attention to the area where improvements in legal control are desired. A Green Paper putting forward proposals on the difficult problem of outlawing *dealing by insiders who use confidential information for their own profit—a matter tackled in* the Conservatives' abortive 1973 Companies Bill—will be published in the autumn. Revisions to the Prevention of Fraud (Investments) Act to improve the legal powers to supervise licensed dealers in securities are also being prepared.

Meanwhile a joint review body has already been set up by the Trade Department and the Bank of England to keep a watch on the securities industry to detect gaps in the control apparatus and to follow developments such as the planned CSI. The body's joint-chairmen are Sir Jasper Hollom, deputy governor of the Bank of England, and Mr. Philip Brown, a senior Trade Department official.

One of the key City bodies which has long been meditating improved self-regulatory methods for the City is the Stock Exchange, which some two years ago spoke of self-regulation as a developing art in its submission to the Trade Department.

The Stock Exchange appears to be very much behind the CSI plan and it is no accident that on the same day as Mr. Dell's statement, Mr. Nicholas Goodison, the Stock Exchange chairman, backed such a concept in a speech at the Mansion House.

The chairmanship of the new CSI is seen as crucial to its success, the idea being that it should go to a distinguished figure with knowledge of the City. Lord O'Brien, Mr. Richardson's predecessor as Governor of the Bank of England until 1973, is mentioned.

A delicate question concerns the relationship between the head of the CSI and the chairman of the Take-over Panel, Lord Shawcross, the distinguished advocate and one-time Attorney-General who has headed it throughout. Lord Shawcross has been expected to give up the chairmanship of the Panel in the next year or two and, at 75, would hardly in any event be available to head the new CSI. But he is still very active — his tenure as chairman of the Press Council has just been extended for another year.

A possible structure would be for Lord O'Brien to be chairman of CSI, with Lord Shawcross—an old friend — remaining at the head of the Panel for the first year or so of the new arrangements.

Financing the new body — estimated "to cost up to £250,000 a year — has been a matter for considerable discussion. The trend appears to be towards financing through some form of charge on security deals—passing the cost to the securities markets' users — rather than by a levy on City bodies.

The relationship between CSI and the Take-over Panel has been much considered, in the light of anxiety that nothing should be done to detract from, or confuse, the latter's authority in its field. Absorption of the Panel into CSI is favoured in the Macdonald-Knight report. But the continued role, and effectiveness of the Panel is obviously everybody's concern.

Similarly much thought is being given to CSI's proposed investigations arm, which would not be armed with legal powers but would probe various situations, probably not activities under the Take-over Code—but suspected insider dealing and other unethical practices. It has been suggested that its services could be made available to the investing institutions' investment protection committees which look at situations causing worry to investors.

As CSI becomes fully established, it is envisaged that it would not only forge rul the Panel and have respon ties concerning codes and for other parts of the secu industry. It would also thought to emerging tren wide importance, such a growing market influence stitutional investors like insurance and pension f the increasing activit American and other b and banks in the securities industry; and th of the jobbing system monisation of British secu and financial practices those in the Common M could also engage its attent

It is at first sight surprising that the CSI init has hitherto been discuss such secrecy, considering portance and the wide ran parties interested in it. possible explanation is th much controversy was cau year or two ago by the Ba England's initiative for equity bank, now launche Equity Capital for Indust and particularly the "secon role" possibly envisaged as a ginger group for s managements — that on occasion the City p decided to proceed quietly they had come up with a able schemes.

Also, while the equity proposal was seen resented by some — as a tively firm blueprint eman from the Bank of Englan presented to the institu investing world for agree the CSI project has bee forward in a more ten style, with a range of alt tives on a number of aspe

In whatever form and at ever exact moment CS launched, there is no doubt it will represent self-regul on trial — and that the term survival of voluntary trol will depend on su or failure in persuading public that the City can ke own house in order and fr scandals.

MEN AND MATTERS

Russel Taylor's new lease

Six months after stepping down from his post as chief executive of the Italian International Bank Russel Taylor has re-emerged to form a leasing portfolio management and consultancy business together with Roy Buckle, an old friend from their years together at Hambros. Since leaving IIB in the wake of problems arising from the bank's early property financing ventures, Taylor has spent much of his time sorting out his own family affairs and devoting more time to other directorships—including helping Crane Fruehauf fight off a bid.

Now the two men hope to exploit what they see as a management gap in the growing field of leasing where volume last year rose to £421m. compared with the £340m. worth of assets leased in 1975.

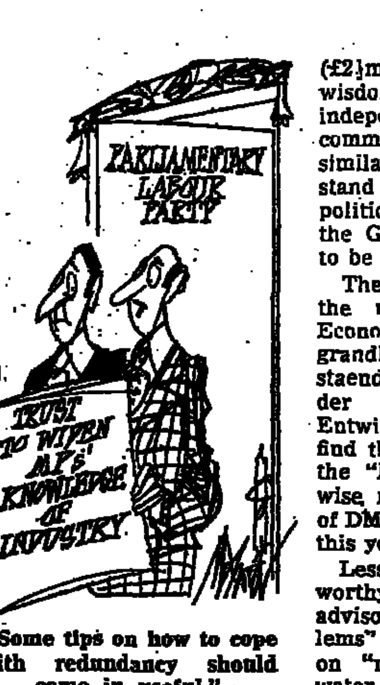
Buckle is one of the pioneers of leasing in th eU.K. having developed Hambros's own efforts in this field for ten years from 1962 before moving over to Orion Leasing Holdings and then branching out on his own as a leasing consultant in 1975.

Leasing only started to become big business here over the past five years, however, when the clearing banks finally woke up to the tax and other advantages it offered them. According to Buckle the industry has outstripped the development of sufficient management back-up and this is the gap they have formed Taylor Buckle to fill.

To the uninitiated leasing is an Alice in Wonderland world. Whatever is the advantage to lessors of lending their money for a medium term at a fixed rate of interest generally below the current market rate? The short answer is that leasing is, according to Taylor and Buckle, a convenient way of deferring tax, as well as a means of ensuring the maximum use of tax write-offs.

These are advantages which, they claim, accrue to both leasee and leasor and which the Government positively encourages *as an incentive to* that higher investment it is always calling for as the answer to our economic woes.

The real Wonderland situation, Taylor *suggests*, is that in which Government intervention has made company taxes and interest rates so high that it has to balance them with what are probably the most generous investment incentives in Europe and so bribe the same hard-hit companies to invest. It is a practice which includes turning a Nelsonian blind eye to the tax advantages of leasing, and also, hopefully, a profitable niche for those with the legal and financial expertise to exploit it.



"Some tips on how to cope with redundancy should come in useful."

And all this

Some more beguiling statistics, this time on the subject of the Common Market. The EEC Commission yesterday churned out for a breathless world the results of an opinion poll on what citizens of member countries think of the EEC.

No doubt businessmen will be filled with gloom and the Left wing of the Labour party delighted by the juiciest item: that only among Britons was there a majority who thought that the market was, as they were fond of saying in *1066 And All That*, a bad thing. Surprisingly enough, the French came out as the most enthusiastically pro-EEC.

There should be little surprise, I would have thought, in the fact that inflation-battered Britons are now not so keen on the EEC. Much more intriguing is the poll's revelation that 42 per cent. of Belgians, normally the most sedate of Common Marketeers, do not intend to vote in direct elections to the European Parliament, or are undecided. That is the highest percentage in any of the Nine. Which is surprising as Belgium is the only EEC country where voting has been mandatory and failure to turn up at the polls invites heavy penalties.

Paying the wise

Professional advice seldom comes cheap, specially when you ask for as much of it as the West German Government. This has been clearly established by a parliamentary question which revealed that the Federal Government expects to pay around DM10m. (£2½m.) for knowledge and wisdom from more than 5,000 independent experts in over 350 committees, councils and similar groups. These grave men stand back from the party political bear garden and tell the Government what it ought to be doing.

The most august (and one of the most expensive) is the Economic Advisory Council, grandly called the Sachverstaendigenrat zur Begutachtung der Gesamtwirtschaft-lichen Entwicklung. Even the Germans find this a mouthful and call it the "Funf Weisen" (the "five wise men") for short. A total of DM1.5m. is set aside for them this year.

Lesser sums go on such worthy bodies as the "scientific advisory board on manure problems" and the working group on "mathematical models for water supply."

These details emerged because several opposition parliamentarians wondered whether there might not be too many of these groups producing floods of paper which few had time to read, let alone act upon. Not so, says the government. The experts are worth their weight in gold — and their work is constantly under scrutiny to make sure that tax payers money is going only on what is essential.

Work for it

My report last week of a "Courteous and efficient self-service" sign in Bournemouth prompted Tory MP Reginald Maudling to recall a Riyadh coffee shop notice: "Mix your own salad, choose your own ingredients. Service charge 15 per cent."

Observer

FINANCIAL TIMES SURVEY

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Middle East Banking and Finance

The overall oil surplus will be more heavily concentrated in Saudi Arabia and Kuwait. But while the region is playing a much more active part in recycling funds and using them for development, an Arab capital market is still a long way from being achieved.

An emerging market

by Richard Johns, Middle East Editor

I'IS inevitable that the Middle ast should still be exercising disproportionate amount of he international financial community's attention still even hough it has grown accustomed and adjusted well to the ramatic shift of wealth resulting from the 1973-74 oil price scalation. Nearly all the OPEC urplus is accounted for by the roducers of the region, who ccount for eight out of the artel's 13 members and 75 per ent. of current OPEC roduction.

With the realignment of PEC prices now in prospect nd output in the first four onths of 1977 running 6 per ent. up on last year's rate, it eems that the total OPEC urrent account surplus may be s much as the $42bn. calculated last year. The probaility is that no less than 95 per ent. of it will accrue to Middle ast producers, in particular he Arab ones. The bulk of it vill be earned by two of them, audi Arabia and Kuwait, while nly the United Arab Emirates, atar and perhaps Libya can ook forward to an excess of evenue which might be rearded as a surplus rather than creased working funds. But one of the region's OPEC embers will suffer any marked ayments deficit with the exeption of Algeria which is exeriencing no difficulties in orrowing from the Euronarkets, with its creditors pparently reassured by future evenue from its expensive gas rojects.

Alone of the eight Algeria vas in deficit in 1976. The disribution of a collective surplus f $40bn. (before transfers of oans and grants) enjoyed by he others was uneven. As much s 60 per cent. of it went to audi Arabia and another 15 er cent. or so to Kuwait. The AE, Iraq and Iran all added to their reserve assets while Libya's only declined marginally. Over the full year production of all OPEC members of the region rose by 12 per cent. with an output boosted by the buying spree in advance of the OPEC price rise. This was responsible also for the fact that their total revenue was up by an estimated 18 per cent., from $80bn. to $95bn. despite the price freeze. Growth of imports slowed down from the phenomenal rates achieved in the previous two years. The pace of development may have slackened in some States like Iran which was one of the most vociferous in complaining about the erosion of the purchasing power of oil revenues.

Pressure

Yet, with inflation roaring and the pressure on limited resources becoming intolerable, Iran in cutting back on expenditure was prepared to acknowledge that a slow-down was necessary quite apart from financial considerations. In their different ways Iraq and Libya also learnt something of the limits of absorptive capacity posed by infrastructure bottlenecks, shortages of skilled manpower and administrative factors. A year ago Saudi Arabia, which—notwithstanding inflation—must have surprised itself in spending two-thirds of funds budgeted in its fiscal year 1975-6, also decided that it wanted a more measured tempo. Now Kuwait and the UAE—Abu Dhabi at least, if not Dubai—have also concluded that in terms of inflation and other strains there are desirable limits to frenetic, uncontrolled growth of the kind that has found expression mainly in construction.

In the first four months of this year the oil production of the eight was up by 8-9 per cent. overall though it has dropped over the past two months and is unlikely to revive to any great extent before the autumn. Over the full 12 months the increase in output may be sufficient to lift collective revenue by 10 per cent.—the increase over 1976 levels at which OPEC is expected to compromise—even though Saudi Arabia and the UAE restricted their rise for the first half to only 5 per cent. The Kingdom's share of the overall OPEC surplus was about 40 per cent. last year, and will no doubt be bigger this year, supplemented by the growing income from its assets.

This year and next will confirm the trend evident as far back as 1974 that the financial surpluses of the oil producers would be very much concentrated in the states with low absorptive capacities—Saudi Arabia, Kuwait, the UAE and to a lesser extent Qatar. Saudi Arabia's accumulated reserves surpassed the $50bn. mark earlier this year. The Kingdom remains dedicated to maximum absorption and officially regards this surplus as a transient phenomenon. More reasonably the U.S. Treasury in predicting a total accumulation of unspent OPEC income of $115-120bn. in the four years up to the end of 1980 sees the bulk of it going to the Kingdom. Kuwait's reserve assets have nearly reached $20bn. and are generating an income at an annual rate of about $1.5bn.

Having disbursed no less than 27 per cent. of its revenue since 1974 in the form of aid, much of it in grant or concessionary form, Abu Dhabi has about $4.5-5.0bn. in its investment fund. With the burden of an increased budget it is contemplating the possibility of spending fully its revenue this year and the Abu Dhabi National Oil Company is planning to borrow to finance its big projects. Dubai has raised no less than the equivalent of $800m. on the international market for industrial and infrastructure developments over the past three years. Qatar, with an investment fund containing some $1.5bn., is raising loans for petro-chemical and other schemes.

Concentration of petroleum wealth has made the Middle East the biggest growth area for trade, business and banking over the past few years, but beyond that it is difficult to generalise about a region which is predominantly Arab—with Iran, like Israel, for different reasons, maintaining a separate identity, and its own different links with the wider international financial system. In many respects, certainly, the Arab world is more noteable for its differences—not the least the disparities of financial wealth, between sparsely populated producing states and others summed up by the disparity in per capita income (calculated for 1975) of Kuwait at $11.510 and Egypt of less than $300. Such is the imbalance that the current account deficit of the non-OPEC countries of the Arab world (including four modest producers in Egypt, Oman, Bahrain and Syria) is only 10 per cent. to 15 per cent. of the surplus of the members.

The disparities are equally striking amongst the producers. Figures published recently by the Bank of International Settlements showed that they contributed $2.8bn. of the $17bn. Eurocredits outstanding at the end of 1976 but obligations of the group amounted to no less than $7.6bn. with Bahrain, Oman, Iran, Iraq and Libya foremost amongst short-term borrowers.

Two months ago Dr. Johannes Witteveen, managing-director of the IMF, stated that the "remaining surpluses of the OPEC nations are by no means an insuperable problem for the world economy" — pointing out that the main answer was to find the right longer-term investment. He calculated that the proportion finding their way into such outlets, including the IMF's oil facility and World Bank bonds, had risen from about 32 per cent. of the total in 1974 to 65 per cent. in 1975 and 73 per cent. in 1976. Fears of big flows of hot money have been confounded. Middle East producers have been generally cautious and responsible, a matter of self-interest and good intent. That would be true of their aid disbursements.

Saudi Arabia was not willing to provide as much as was hoped by the IMF to its special facility, expressing dissatisfaction with the terms which would be imposed on developing countries being assisted by it. Its position, no doubt, reflected the producers' alliance with the Third World. More militantly, Iraq warned other Arab states from participating in a fund designed, it claimed, to help capitalist rather than developing countries.

In May the Arab Monetary Fund was finally established, with an initial capital of $870m. with the aim of supplementing the IMF (as well as reducing dependence on it) stabilising currency exchange rates between the participating countries, and developing Arab money markets. In line with political aspirations the long-term objective is a common currency.

As it is, prospects for the much more feasible plan for a common unit for the Arab states of the Gulf seemed to have receded, not the least as a result of the recent monetary troubles in the UAE. But in general slow but steady progress is being made towards fulfilment that Arab capital resources should be used primarily for Arab requirements. On the more immediate level the oil producers' grants to the "confrontation" states Egypt, Syria and Jordan under pan-Arab auspices has involved significant recycling. To a lesser extent the emergency economic aid to Egypt has, too, although with good reasons the donors have become more insistent that the money should be used for projects rather than balancing payments in the short-term. The development of regional bilateral and multi-lateral aid organisations has gone ahead impressively. Kuwait has continued to take the lead in creating the right conditions for investing surplus funds in the Arab world but has shown itself less than satisfied with the prospective returns, the guarantees or the general environment.

Proportion

An increasing proportion of surplus funds may in future be absorbed within the Arab world. More of them will find their way to the private sector. At this level the consortium banks combining Arab capital and Western expertise have played an important role. Off-shore banks like those licensed to operate by Bahrain have shown their potential. Outside Kuwait, where the State has directly sponsored their participation in the deployment of state funds, strictly indigenous institutions have been limited by their inexperience and lack of development of capital markets in Arab countries.

In April, central bankers commissioned a report on the establishment of an Arab financial and money market which is to be submitted to the next meeting of the Arab Economic Unity Council. In practice, the past few years has seen a rapid development of individual centres and their institutions — as well as the eclipse, for the time being at any rate, of Beirut. It was, anyway peripheral to the main flow of petrodollars, the disposal of which remains very much in the hands of Governments. They, in turn, are still largely dependent on international intermediaries.

The conclusion of one British banker who addressed a conference in Damascus of the Chambers of Commerce, Industry and Agriculture for Arab countries on the subject recently was that "one single centre is by no means a pre-condition for regional development which, initially at least, could almost certainly be more speedily and successfully brought about through the existing domestic and off-shore centres." They, however, lack depth and even in the more advanced of them the employment of more sophisticated financial instruments is still something of a novelty. No doubt a more coherent market will emerge. But for the indefinite future the bulk of international business will be with the industrialised world.

Investment in the Arab world

IN THE three and a half years since the oil price explosion of late 1973 intra-regional investment has become fashionable in the Arab world. Practically all of the deficit states are trying to attract Arab investment—introducing investment encouragement laws and trying to provide channels through the copious red tape of their bureaucracies; private investors are mustering themselves into groups and establishing corporate entities through which they can establish and run investments in a more professional fashion; and at a Government level there must have been at least a dozen new multinational investment companies established in the past 12 months alone.

Part of the boom is a straightforward result of the oil-producing governments having bigger surpluses and their citizens having more capital to invest as the effects of high government spending have worked their way through to the private sector. At the same time the very hostile reaction to Arab investment in the West during the past three years has diverted funds from countries which might normally have been investors' first choice.

But there are also factors which go back to before the 1973 oil crisis even if they have grown more important recently. Starting in about 1970 the Arab world has become a great deal more united; regimes have become more conservative, more pragmatic and more secure while simultaneously becoming increasingly disillusioned with the failures of socialism; and companies such as the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC), which was established 12 years ago, are now growing up into really effective businesses and are showing the way for the multitude of new institutions.

Behind these developments is an element of idealism which is not always easy for Westerners to understand, but which should not be ignored. The Arabs are very conscious of being the heirs of an old and once powerful civilisation, and of the humiliations they have suffered during this century at the hands of technologically superior Western societies. It is not unnatural that they should now wish to "do away with these unsatisfactory relationships that have made us a mere source of finance for economies stronger than our own," and use their money to build their own homeland.

These sentiments are in no sense confined to atavistic fanatics like Colonel Khadaffi; the quotation above is from a speech by the Kuwaiti Finance Minister, Abdel-Rahman Atiqi. Nor are they confined to governments; individual Arab investors are much more politicised and nationalist than their Western counterparts, and in several instances recently have shown a preference even in their investments in Europe and America for putting their money into businesses which have potential for complementing or developing their existing interests in the Arab world. Two examples—albeit ill-fated ones—are those involving the London merchant bank Edward Bates and the industrial, mining and trading group, Lonrho.

Intention

The original intention of the First Arabian Corporation, owned by a group of Saudi princes and businessmen, was to use Edward Bates to help it seek out and develop industrial and agricultural projects in the Middle East, but in practice, although Bates quickly developed quite a strong Middle Eastern orientation, the bank's recent troubles have meant that the attention of all parties has been focused mainly on rescue operations. Lonrho, which at different times has had substantial numbers of its shares held by the Gulf International group (owned by Shaikh Sabah al Ahmed, the Kuwaiti Foreign Minister, together with his sons and the Sudanese entrepreneur Dr. Khalil Osman) joined Gulf International in 1974 in investing in the massive Kenana sugar scheme in the Sudan and was given the management contract. In recent months, however, as the full extent of the project's soaring cost have become known, one of the other shareholders, KFTCIC, has insisted on Lonrho's removal from this position—although the company still retains its shareholding.

It is particularly unfortunate that the Bates and Lonrho investments should not have lived up to expectations in all respects, because both were investments where capital was actually committed, and if their operations in the Arab world had proved a success their example would have stimulated further investment. As it is, in a great many cases there is an enormous amount of talk but very little spending. It is remarkable how long it has taken some inter-Arab projects to get off the ground. It is also noticeable that a great many projects referred to as being virtual certainties—if not realities—have eventually fallen through.

Therefore the foundation of a multinational investment company, of the sort that has proliferated over the last 18 months, is no guarantee of actual investment activity, except perhaps in the particular project which the founding governments instituted at the time the company was established, or actually established the company for the purpose of implementing. These new companies include the Arab Industrial and Metallurgical Company, headquartered in Mauritania for the initial purpose of investing in copper and steel smelting, the Arab Livestock Development Company in Damascus, the Arab Mining Company, which is headquartered in Amman and is making its first investment in a potash project in Jordan, the Arab Petroleum Investment Corporation and a host of private companies and regional subsidiaries of the bigger companies. In Sudan, for instance, KFTCIC has established the Sudan Kuwait Investment Company (which is matched by a similar company in Egypt) and this in turn has spawned specialist companies for investment in livestock, transport and real estate.

Whether or not these companies will achieve anything much beyond their initial objectives will depend mainly on the quality of their management. If one knows who the management is going to be and what their past records have been, it is possible to predict which of the new concerns are most likely to succeed.

Some of the intra-regional investments which *have* gone forward during the past three years have involved concessions—such as the one for the transport of heavy goods between the Suez Canal and the rest of Egypt granted to the Sara Fund, owned by Kamal Adham, the brother-in-law of the late King Faisal, and Mahdi Tajir, the UAE ambassador in London.

What is striking is now governments like Egypt, to whom the very word "concession" would have been anathema only a few years ago, have become so anxious to attract Arab investment. Typically the recipient states have passed laws guaranteeing foreign investments against nationalisation, giving generous tax holidays and exemptions from personal taxes for employees and from tariffs for imports of capital equipment and raw materials, guaranteeing the repatriation of capital and profits, establishing a special "incentive" exchange rate (in Egypt's case), giving the investor access to loans from special industrial development banks and allowing him to set up on his own if he wishes, and establishing free zones.

Governments have also taken steps to liberalise their economies generally—by unwinding exchange controls, paying compensation for assets previously nationalised and defining what they see as being the desirable limits of state control or which areas they feel would be most appropriate for domestic private or foreign capital. (This is something which investors feel that the Syrians have not yet done properly.) There have been general attempts to improve "business infrastructure" and to cut back the bureaucracy which was built up during the 1950s and 1960s, while in some countries special procedures have been evolved which will provide channels through red tape. In Jordan, for instance, the law regarding the establishment of regional offices in the country states that companies will have their applications accepted or rejected within one week. Also in Jordan, as in some other countries, foreign investors are being give preferential treatment in such matters as the installation of telephones.

But what counts most of all in attracting oil state investment is not legislation or other formal government-sponsored innovations, but the general character and the quality of the administration of the state. Private sector dominated economies are obviously easier to work in for the Arabian investor than state controlled ones, as are countries which have small and relatively imaginative bureaucracies (used to taking a small degree of responsibility) or which are still run from the top on semi-personal lines.

On these criteria the countries most eligible for foreign investment are Jordan and Tunisia, both of them unfortunately having relatively limited long term potential. It is striking how much investment has already ben committed and/or is definitely going ahead in these two countries. Their share of total inter-Arab investment activity is wholly disproportionate to their size.

Sudan also scores quite highly. It has a "personal" administration in which investors find they can get easy access to ministers and will receive the active and enthusiastic personal support of ministers for their projects. The friendliness and modesty of the Sudanese is particularly valued by Arabian investors, who are very conscious of their status as "nouveaux riches" in the Arab world and are very put off if they find people being superior or patronising. A third factor in Sudan's favour has been the decisiveness with which it has swung away from socialism since 1971. It may sound too crude and simple to be true, but it is nevertheless constantly reiterated by Arab bankers and businessmen that Arabian investors have been very much more *impressed* by President Nimairy's execution of socialist plotters than by the highly complex economic reforms of President Sadat.

Egypt

At the bottom of the league comes Egypt. The whole nature of Egypt, its size and its impersonal character—in fact its similarities in scale to a Western country—make it inhospitable for Arabian investors. This effect is enhanced by the complexities of its laws and procedures and the enormous bureaucracy, which was built up by Nasser with the intention not of providing the most efficient government machine but of providing jobs for the class of Egyptians who were going to be the backbone of support for his political party, the Arab Socialist Union.

Above all, Arabian investors find the Egyptians obstructive. Being the biggest and in many senses the leading Arab nation (virtually all of the Arab world's popular culture is provided by Egypt), the Egyptians feel somewhat humiliated at having to beg for foreign investment, and at a personal level there is an understandable tendency for officials to try and give the impression that they really don't need investment and that there is no necessity for them to do anything special to facilitate it.

ABSORPTIVE CAPACITY OF ARAB OIL EXPORTERS
($bn.)

	Oil revenue	Non-oil exports	Total revenue	Merchandise imports	Net service payments	Grants/aid disbursed	absorption	Total Surplus (deficit)
Algeria								
1974	3.7	0.4	4.1	3.7	0.5	0.0	4.2	(0.1)
1975	3.8	0.3	4.1	5.7	0.3	0.0	6.0	(1.9)
1976	3.9	0.5	4.4	6.2	0.6	0.2	7.0	(2.6)
Iran								
1974	18.7	0.8	19.5	7.2	1.8	1.1	10.1	9.4
1975	18.9	0.7	19.6	13.5	2.2	0.6	16.3	3.3
1976	22.1	2.0	24.1	17.0	2.5	1.5	21.0	3.1
Iraq								
1974	5.7	0.2	5.9	3.2	0.4	0.4	4.0	1.9
1975	8.0	0.2	8.2	6.1	0.8	0.1	7.0	1.2
1976	9.9	0.3	10.2	6.9	1.0	0.5	8.4	1.8
Kuwait								
1974	8.0	0.4	8.4	1.4	(0.5)	1.2	2.1	6.3
1975	7.8	0.6	8.4	2.2	(0.8)	1.8	3.2	5.2
1976	8.4	0.7	9.1	2.8	(1.2)	1.0	2.6	6.5
Libya								
1974	6.2	0.0	6.2	2.7	0.7	0.2	3.6	2.6
1975	5.9	0.0	5.9	4.6	0.8	0.4	5.8	0.1
1976	7.2	0.1	7.3	5.2	0.6	0.5	6.3	1.0
Qatar								
1974	1.6	0.0	1.6	0.2	0.1	0.2	0.5	1.1
1975	1.9	0.0	1.9	0.5	0.1	0.2	0.9	1.0
1976	2.2	0.0	2.2	0.9	0.3	0.0	1.2	1.0
Saudi Arabia								
1974	24.5	0.0	24.5	3.8	0.9	2.2	6.9	17.6
1975	26.8	0.0	26.8	6.5	0.6	1.9	9.0	17.8
1976	32.2	0.1	33.3	8.5	(0.3)	2.0	10.2	23.1
UAE								
1974	6.0	0.0	6.0	1.2	0.1	0.6	1.9	4.1
1975	6.4	0.6	7.0	2.6	(0.1)	0.4	2.9	4.1
1976	8.3	0.5	8.8	3.0	(0.2)	0.5	3.3	5.5

1976 figures are forecasts of expected out-turn.

In the last year in Arabia there have bene signs of increasing disillusionment and irritation with Egypt as an investment prospect.

Apart from some of the institutions mentioned earlier, the major response to the initiatives of the deficit Arab states has come from the governments of Saudi Arabia, Abu Dhabi and, above all, Kuwait—the last of these having had infinitely more experience at all types of foreign investment and lending than the others.

Planning

Except for contributing to the capital of the Sumed pipeline and the Arab arms industry, and pledging capital to one or two enterprises which are still at the planning stage, such as the Syrian-Saudi Investment Company for Agriculture and Industry, the Saudi government has made virtually no direct investments of its own. But along with Kuwait and Abu Dhabi it has been the biggest contributor to the capital of the Riyadh-based Arab Investment Company, established in 1974. AIC is not dissimilar to KFTCIC. It is not quite so profit-orientated perhaps—it emphasises that it prefers to invest in less profitable projects that are of obvious *importance* than in lucrative but relatively minor schemes, but this is partly because AIC is wholly government owned and so can carry out its less profitable investments on a balance sheet basis, whereas much of KFTCIC's less profitable work is done off balance sheet as a manager of Kuwait Finance Ministry funds. Interestingly, whereas KFTCIC in its early days was occasionally subject to direct political pressures, AIC, although being a basically political animal, has been able to decide on its own investments.

In many cases AIC's name has appeared on the same lists of shareholders as KFTCIC's—in the Kenana sugar project, the Arab Livestock Development Company and the Arab Mining Company for instance—and it has adopted the same procedure of establishing regional offices as the Kuwait Real Estate Consortium. AIC already has offices in Khartoum and Cairo and it is opening offices in Damascus and Rabat.

Abu Dhabi has been rather more active than Saudi Arabia in intra-regional investments on its own—and its Ruler, Shaikh Zayed has made one or two major personal investments, such as his palace being built at Bloudan, some 50 km from Damascus. The Abu Dhabi Fund for Arab Economic Development, unlike the other half dozen or so project aid funds in the Arab world, is authorised to take equity participations in projects which are likely to yield a commercial rate of return (industrial or tourism projects for instance), but generally the projects submitted to it have been the less commercial developments being undertaken by the deficit governments. It has, however, taken an equity participation in a Tunisian tourism project, and it is now working on a former Abu Dhabi National Oil Company project, for which it has recently acquired responsibility, involving a big phosphates fertiliser project in Tunisia for which it will be making available both equity capital and a loan.

By far the most important of the surplus Arab governments in the regional investment context has been Kuwait. In the past the Finance Ministry has made investments through the Kuwait Hotels Company (half government owned) and the wholly state owned Kuwait Airways Corporation (the latter involving the purchase of some land for a hotel development on the outskirts of Beirut). But now all of its regional investments are channelled through KFTCIC (80 per cent. government owned) and the Kuwait Real Estate Consortium, a group sponsored by the government in 1975 and composed of all the major Kuwaiti real estate and investment companies, the Kuwait Hotels Company and the Finance Ministry itself.

KFTCIC had assets at the end of last year worth rather over $350m., but its investments on behalf of clients (mainly the government) must have been very much bigger. At the end of 1975 they came to some $750m. and the figure would have grown in 1976. These funds were invested in industrial, mining and agricultural projects, either directly by KFTCIC or by its subsidiaries.

The Kuwait Real Estate Consortium is even more an instrument of the Finance Ministry than KFTCIC. Its paid-up capital of $17.5m. and its small bank borrowing is dwarfed by the $1bn. odd that the Finance Ministry has earmarked for the Consortium to manage. So far the Consortium's own investments have run to several purchases of land for development in Jordan and Egypt and to participations in joint venture companies in Tunisia and Morocco; its parents meanwhile have agreed not to make real estate investments *outside* Kuwait without offering the Consortium a participation.

Activity on behalf of the government to date has mainly involved the negotiation of agreements on behalf of the Finance Ministry with other Arab governments, specifying the amounts which are to be invested in each country and providing for the establishment of Consortium offices in the recipient state's capital. Agreements already signed or under negotiation involve $400m. for Egypt, $200m. *for* Syria, $70m. for Tunisia, $100m. for Jordan $110m. for Sudan, and $50m. for joint real estate development companies in Morocco and Yemen. Although some of these allocations have been talked about for nearly two years, no *money* has yet been spent. It will now be the responsibility of the regional offices to identify suitable projects in each country.

Compared with government investment, private sector activity has so far been modest (though there are one or two exceptions to this generalisation). An encouraging trend, in Kuwait at least, is that investors have started forming companies to carry out their investments, rather than working on a purely personal basis as in the past. This corporate approach, implying the establishment of some sort of full-time manageme[...] should mean that investors w[...] persevere longer in the face [...] bureaucratic obstacles. But [...] would be wrong to assume th[...] in most transactions mode[...] management, backing its ve[...] ture with feasibility studi[...] market analyses and sales ca[...] paigns, will be taking ov[...] from the traditional Arab a[...] tude, which sets more store [...] personal contacts and on "bei[...] in the know" to guarantee t[...] success of a business.

Bigger

Longer established a[...] bigger private sector Kuwa[...] investments have been made [...] the Kuwait Hotels Compa[...] which has on its own [...] opposed to the Finance Min[...] try's) account put money into [...] Hilton in Khartoum and [...] several other projects curren[...] under way; the Gulf Int[...] national Group, which [...] addition to its stake in Kena[...] has a number of major indu[...] trial investments in Sudan; a[...] United Fisheries, which [...] fleets scattered around [...] Arabian Peninsula and Afri[...] Given that Adnan Khashogg[...] Triad group is as much a p[...] ject promoting as an investi[...] operation, and that Ghai[...] Pharaon's Research Devel[...] ment Corporation (REDEC) [...] still new, there are no insti[...] tions in Saudi Arabia (or [...] that matter elsewhere in [...] Arabian Peninsula) which [...] be compared with the big p[...] vate sector institutions [...] Kuwait in their regional [...] vestments.

However, it may be that [...] the near future private Sa[...] interest in regional investme[...] will be increased by [...] Kingdom having recently [...] come a member of the Int[...] Arab Investment Guaran[...] Corporation, which began bu[...] ness in Kuwait at the beginni[...] of 1976.

So far the Corporation [...] signed only five insurance c[...] tracts—two applying to loa[...] made by KFTCIC to projects [...] Sudan, and three applying [...] Kuwaiti private compani[...] equity investments in Eg[...] (including the Khar[...] aluminium fabrication pl[...] and the carpet factory). [...] month ago a further four or fi[...] contracts, all involving Egypt [...] Sudan, were being negotiat[...] and were expected to have be[...] signed by the end of [...] summer.

The reasons for the Corpo[...] tion's slow start have be[...] partly that its paid-up capi[...] has been too small — und[...] $15m. for most of the Corpo[...] tion's life. Because the Cor[...] ration may not insure inve[...] ments and loans worth more [...] total than five times its capi[...] and may not normally insu[...] a sum worth more than 10 p[...] cent. of its capital plus reser[...] in a single deal, the small si[...] of its paid-up capital has pr[...] vented it from signing [...] really big contracts and so ga[...] ing publicity. With a sma[...] capital and hitherto without t[...] participation of Saudi Ara[...] it gets only a small income fr[...] its portfolio investment and h[...] thus been unable to affo[...] good staff.

Michael Fiel[...]

هكذا من الأصل

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A bigger share of Euro-business

THE NUMBER OF Arab institutions taking part in the management and underwriting of syndicated Eurocredits and Eurobond issues has risen remarkably over the past year or so, though the volume of activity in which they are involved has not necessarily increased in tandem. In 1974, Arab houses active in Euromarket lending was more or less confined to the three big Kuwaiti companies and one or two investment banks in Beirut.

Over the past 12 months, however, names such as Saudi International Bank, Al Saudi Banque, Abu Dhabi Investment Company, Arab Petroleum Investments Corporation and Union Bank of the Middle East have been set up and started to appear on tombstones; while some already well-established banks and companies such as National Commercial Bank in Jeddah, National Bank of Abu Dhabi, Arab Financial Consultants Company in Kuwait and the Arab Investment Company in Riyadh have stepped up their activities.

Significant

At the same time, the big Kuwaiti companies seem to have registered a significant drop in their activities on the Eurobond market. The value of issues lead-managed by the top three Kuwaiti houses halved in 1976 over 1975—from $396.37m. to $210.19m. The two companies in which the Government is a shareholder — Kuwait Investment Company (KIC) and Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) — suffered most. The wholly private Kuwait International Investment Company (KIIC) maintained its lead management activity at around the same level in 1976, and so far in 1977 seems to be going strong.

The reasons for the decline in KIC's and KFTCIC's activity last year are probably the decrease in liquidity in the Eurobond market, which made competition for business much fiercer; the implications of the Arab boycott of Israel as applied to international financial transactions; and the trend towards more investment within the Arab world.

If the bigger Kuwaiti companies are managing fewer issues, some of the smaller or less well-known names in Kuwait have helped take up some of the fall-back. Arab Financial Consultants Company, Kuwait Financial Centre, National Bank of Kuwait and Kuwait International Finance Company between them in 1976 led issues totalling $88.74m., mostly in the Kuwaiti currency.

In addition, while the Kuwaitis have traditionally been the leaders in the Arab world in investment banking, the Saudis and Abu Dhabians are coming increasingly into their own. National Commercial Bank, with the advice of First Boston Corporation, has been in management groups not only for issues denominated in Saudi rivals (of which there have been an increasing number over the past few months) but also Bahraini dinar issues, dollar issues (Eurofima's $20m. placement, for example) and, interestingly, a Canadian dollar issue (for Chrysler Credit Canada), which it led with First Boston AG.

The Abu Dhabi Investment Company was set up only early this year, yet it has already appeared in the management groups for a number of important issues, including the $30m. European Coal and Steel Community borrowing, and it recently arranged and guaranteed a $100m. Eurocredit to the UAE telecommunications corporation, Emirtel. ADIC is 80 per cent. owned by the Abu Dhabi Investment Authority, which is responsible for managing the Emirate's surplus oil revenues, and it is therefore cast in the same mould as KIC and KFTCIC. It is understood that while ADIC will concentrate on primary issue activity, secondary market operations will be kept within ADIA, which has just engaged an international banker from London to oversee these.

The National Bank of Abu Dhabi, which has a 10 per cent. stake in [illegible] (the public company [illegible] 20 per cent. [illegible]), is also stepping up its own Eurobond and loan syndication activities and is recruiting a department [illegible] among investment bankers in London.

The consortium banks, with greater funds and placing power at their disposal than institutions from the country, have also been making themselves felt more. The Union de Banques Arabes et Françaises in Paris was less active in the management of syndicated Euroloans in 1976, compared with 1975, but the Banque Arabe et Internationale d'Investissement (BAII), while its lead management activity failed to grow, more than quadrupled its co-management of bond issues up to $800m. in 1976. Its affiliate, BAII (Middle East) Incorporated, in Bahrain, where it is the only separately incorporated offshore banking unit, must have had a big impact on its business in the past year. It has been in the forefront of Arab currency issues, and led the SR100m. issue earlier this year for the Moroccan refining company, SAMIR. Banco Arabe Espanol, the Madrid bank in which KFTCIC and Libyan Arab Foreign Bank each hold 30 per cent. stakes and Spanish banks 40 per cent., was almost as active as UBAF in terms of the number of Eurocredits it managed in 1976 and has been involved in most of Spain's recent spate of borrowings, including the $1bn. blockbuster for which it was co-manager. Also newly active in medium-term Eurolending are the Banque Intercontinentale Arabe, an Algerian/Libyan joint venture in Paris, and the Arab Bank for Investment and Foreign Trade in Abu Dhabi, a Libyan/Algerian/Abu Dhabi consortium.

Consensus

Despite the new Arab names in Eurobond issues, however, there has not been a significant increase in placing power, according to a consensus of Eurobond managers who deal with the Arab world, though obviously this will develop in time.

A number of issues have already been tailored to suit Middle Eastern investors. Three recent issues for the European Coal and Steel Community have had a mainly Arab management group and have largely been placed in the Arab world, which seems to be keen on EEC paper. A lot of the recent two-tranche $500m. EEC issue apparently ended up in Kuwait.

There have also been four dollar-denominated floating rate note placements in the Middle East, two for the National Bank of Hungary.

Issues in Middle East currencies have been a logical development in trying to attract conservative investors in the region. Kuwaiti dinar issues number about 20, with about 17 actively traded in London (by European Banking Company) and in Kuwait (by the Arab Corporation for Trading Securities—ACTS—set up earlier this year). But outside Kuwait, secondary market activity is generally a lot less than in other currency issues. Part of the problem is the quality of the borrowers in KDs, which are generally not top names, though there have been a few such as Oesterreichische Kontrollbank, one or two Finnish borrowers and the African Development Bank that are well regarded in other sectors of the Eurobond market too.

The other Arab currencies are not as important as the Kuwaiti dinar in bond issues, reflecting the relative sophistication of the Kuwaiti market. Bahraini dinar issues only started this year: there have been only two dirham public issues, neither a success; and the Saudi Arabian Monetary Agency strictly controls the use of its currency offshore, though in a policy change earlier this year it allowed an issue of SR35m. for a big private Saudi company, Redec (through a Bahamian subsidiary Interedec).

The private placement market has been active in the Arab world, with notable issues recently being the $200m. for General Motors Acceptance Corporation placed in Saudi Arabia, almost certainly with SAMA, and the Dh45m. five year issue at 9 per cent. for the Philippines National Oil Company. SAMA, given its wish for utmost secrecy in its investment, has lent probably around $3.5bn. in private placements with top corporate names such as ICI and AT and T, with Western Governments and with Canadian provinces. Earlier this year, it placed SwFrs.375m. with the Kingdom of Spain—an interesting departure for both the Swiss and the Saudis, who have previously lent in the Swiss currency only to international development bodies.

Brian Thompson

Long-term finance

DDLE EAST banking still an essentially short-term s. Though oil wealth is dually filtering down the rate sector and individual estors are becoming more histicated, most Arab inors still see liquidity as g more important than a 1 yield. In addition, the essary infrastructure to sup- longer-term lending has to develop in most places in region. Outside the Gulf, banking sectors are largely e-controlled or lacking in histication. Within the Gulf Saudi Arabia, the absence Government debt keeps the ey market short-term ugh the issue of Govern- t stock has been sug- ed by four central monetary ority directors); market- financial instruments such the certificate of deposit) have yet to appear out- Bahrain and Kuwait; other in Kuwait, there is no ndary market to support instruments (and even in ait it is still at a rudi- tary stage), forward mar- in local currencies have yet developed far enough medium-term loan demand e matched against them; many banks are still under- alised, by Western stan- s, to cope with longer-term ng.

aturities

ough there has probably some lengthening of matu- in bank deposits over the year or so, the bulk would be for a year or less. The terpart of this is the short- nature of most bank ts in the Arabian peninsula heir concentration on trade construction. Lending for ruction is generally short- since the demand for mmodation has been so that a quick yield can be d and the initial capital d within three years or

However, the slowing of opportunities for real e investment and increas- outlets for private sector ipation in smaller indus- projects are persuading Arab investors to take a at other forms of investment. Some commercial banks, therefore, have begun lending more for industrial projects. In Saudi Arabia, for instance, working capital for industrial projects can normally be obtained for up to 3-4 years, even if it means rolling over one-year credits.

However, most longer-term finance in the Middle East oil states has to be provided by Government or Government-sponsored facilities. The Saudi Industrial Development Fund (SIDF), set up in 1974 and fully operational by March 1975, is the biggest and newest of industrial funds. It lends interest-free (but with a service charge of 2 per cent.) for up to 50 per cent. of the total costs of a project (up to 100 per cent. for electricity utilities) for up to 15 years. By March this year, it had committed about SR5bn., with about 60 per cent. disbursed. The biggest loan so far is for SR360m. to the Yamama Cement Company. Applications for loans are examined rigorously (40 per cent. of initial applications do not result in a loan) but the time taken for approval is only 5-6 months. Apparently, the Saudi Government wants this period cut to about two months, but it is thought that Chase Manhattan, which manages the SIDF, is likely to resist.

Chase is also involved in the Saudi Investment Banking Corporation, which opened earlier this year to fill what was seen as a gap between the short-term financing of the commercial banks and the long-term financing of the SIDF. But some observers think the 65/35 Saudi-foreign bank may end up doing more commercial banking business than was originally intended.

The Industrial Bank of Kuwait, set up in 1973 by the Ministry of Finance and Central Bank (49 per cent.) and commercial banks, some large industrial establishments and insurance companies (51 per cent.), has rather broader objectives than the other industrial banks in the Middle East. Not only does the IBK lend for up to 10 years at a rate of 4 per cent. for 50 per cent. of the total costs of a project (in special circumstances, the proportion can be 60 or even 70 per cent.). It also aims to develop a long-term industrial strategy, to finance projects outside Kuwait that benefit Kuwaiti industries and to encourage the development of a domestic capital and money market in order to help the channelling of private savings into industry.

The Industrial and Mining Development Bank of Iran is one of the oldest such institutions in the Middle East, having been set up in 1959, and it also has a wide spread of shareholders from Iran (86½ per cent.) and overseas (13½ per cent.). Its financings are more complicated too, the IR51.2bn. made available in 1975-76 consisting of loans, investments, Government equity fund investment, bank guarantees and underwritings. This was a 62 per cent. rise on the previous year. The IMDBI's loans have concentrated on textiles, food and transport; its share investments on agro-industrial projects, basic metal industries and banking and hotel services. About three quarters of the loans in 1975-76 were for over five years. IMDBI's total resources in that year were IR84.53bn. ($1.21bn.) and it has been a frequent seeker of medium-term loans in the Euromarkets.

Other sources of longer-term finance in the Middle East are fairly limited. Some of the Kuwaiti investment companies/merchant banks are becoming more involved in project finance, either within Kuwait or elsewhere in the Gulf and in Egypt and Sudan, but often these are real estate projects. Loans have been raised locally for one or two projects in Kuwait, but details are kept as much from the public eye as possible since Arabs in general still do not like to be seen borrowing money.

Sudan and Egypt have attracted considerable longer-term funds from official and private sources. The Arab Investment Company, based in Riyadh and owned by 14 Arab Governments, provides loans direct for Arab projects and participates in syndicated Eurocurrency loans for the same purpose. The Arab Petroleum Investments Corporation, an OAPEC company based in Dhahran, manages and underwrites loans and issues for Arab projects which need to be only broadly connected with the hydrocarbons industry.

The two big Kuwaiti investment companies in which the government is a shareholder—KFTCIC and KIC—have invested in various parts of the Arab world. The private Gulf International Group has invested in paint factories, dairies and the Kenana sugar scheme and other projects in the Sudan. KFTCIC and AIC, of course, also have stakes in the Kenana project.

Search

The growth of the Arab/Western consortium banks has also facilitated the search by some of the poorer Arab states for medium-term funds from the Euromarkets. In addition, Kuwaiti dinar bond issues have begun to have more relevance to Arab development needs, with five issues worth KD35m. in 1976 out of a total of 13 worth KD80m. being for Arab development projects. With about 20 issues in KDs done so far and about 17 actively traded, a secondary market is beginning to develop.

Only in Kuwait, in the Arab world, is there any substantial stock exchange activity, with 35 companies traded. But speculative zeal has tended to distort prices beyond recognition, as the floating of the Burgan Bank in 1975 and the Sharjah group in 1976 show. And the history of share issues in the Arab world shows there is some way to go before this can be looked on as a reliable source of finance for a company. The issue to the Saudi public of shares in Bank al-Jazira had to be scrapped and done again because of legal irregularities, and a public offer of shares in Ajman Heavy Industries in the UAE produced so little response that the Ajam government, as underwriter, was left with most of them.

B.T.

MIDDLE EAST BANKING AND FINANCE IV

Managing the surpluses

AS THE OVERALL OPEC surplus has fallen from the colossal level of $70bn. odd in 1974 to roughly half that level in each of the years 1975-77, the problems of disequilibria in the international payments system and the recycling of petrodollars have caused less anxiety than they did immediately after the 1973-74 oil crisis. However, what surplus has remained is now concentrated in the hands of a smaller number of countries—notably the four chronic surplus oil producers of the Arabian Peninsula, Saudi Arabia, Kuwait, Abu Dhabi and Qatar.

Collectively these four countries have seen relatively little decline in their surplus over the past four years, and this means that the issue of their long-term investment policies, which given the temporary nature of the other OPEC states' surpluses was always an exclusively Arabian Peninsula *subject, remains as important* as ever. Unlike the other OPEC countries, which view surpluses in much the same way as do industrialised countries (as being something which can be run up or run down to fit in with broad government economic strategy) the Arabaian Peninsula countries see their surpluses as a national resource, a replacement for oil in the ground. As such these surpluses form a sort of national pension fund on which the Arabian countries will be able to draw *when their oil income starts* to drop below the level of their spending.

Limits

The producers realise, of course, that they cannot invest anything like all of their surplus in a way which will yield the same capital appreciation as oil in the ground probably will. Quite apart from their being obliged to provide aid and gifts, there will always be limits on the amounts of long term investments they can accumulate without their running into political problems or damaging the world banking system. In other words, they have reconciled themselves to the fact that producing more oil than they need for current spending is something they are obliged to do for political reasons, and that in effect they must simply forget a lot of their revenues. This means that the pension fund idea is a bit theoretical—for the long term the Arabian Peninsula states are relying more on diversification (to a limited extent) and on their oil resources lasting longer (and being in demand for longer) than expected.

Nevertheless it is clearly in their interests to invest at least part of their surplus in as commercial a manner as possible—within the limits of central banking authorities' normal practices. Obviously in some respects the Kuwaiti and Qatari Finance Ministries, the Abu Dhabi Investment Authority and the Saudi Arabian Monetary Agency (these being the institutions charged with investing the surplus in the different states) are not like central banks elsewhere — the mere fact that they are interested in a commercial rate of return and are prepared to invest in equities and property sets them apart. But in most important ways they are very conformist. They do not speculate in currencies or investments — their move out of sterling in the last two years has been achieved by their running down current balances held for expenditure (and replacing them with dollars) rather than by selling long term investments. Nor do they generally move funds from one country or capital market to another. In fact, as the SAMA Governor, Abdel-Aziz Quraishi said in a recent article in the New York magazine "Financier": "... we do not engage in the sort of active portfolio management known among professional market participants."

In practice the funds that one is discussing here under the heading of "surpluses" are not the same as the surpluses referred to at the beginning of this article. The OPEC surplus figures of $35bn.-odd for *the past three years are arrived* at by adding oil revenues, non-oil exports and investment income, and deducting imports of goods and services and private current transfers. They are therefore current account payments surpluses, and, especially in the Arabian Peninsula countries, which finance both internal and external expenditure with oil revenues and channel as much of their spending as possible through the private sector, a certain amount of this surplus is going to be in private hands.

From the point of view of the Arabian Governments "surplus" means budget surplus, and accumulated budget surpluses are thought of as constituting "the reserve." "The reserve" is not the same as total foreign assets because it does not include funds earmarked for expenditure being held in cash, and nor is it the same as the figure quoted for central bank foreign exchange reserves in the International Financial Statistics of the IMF (which does include cash) because a whole number of items such as equities, property and aid loans which the Arabian Governments lump together in "the reserve" are not considered by the IMF to be liquid foreign exchange.

In the broadest sense the investment policies applied to the more commercial parts of "the reserves" of the Arabian Peninsula countries have not change as much during the past three years as an outsider would expect. Certainly investment *procedures and the departments* handling investments have become more complex, bigger and more Arab and less Western managed. The day to day management of operations is rather more sophisticated and flexible. At the same time the idea contemplated by the Kuwaitis and Abu Dhabians in 1974 of making big spectacular purchases, such as the Kuwait Finance Ministry's share in Daimler Benz, as an easy way of disposing of large sums of money in good inflation-proof assets in single deals, has been abandoned in the face of the very hostile American and European response.

Purchase

In fact the original idea of Kuwait and Abu Dhabi had never been to embark on any sort of "buying-up" campaign, but to conclude big deals on an ad hoc basis as and when they became possible. It was in this way that the Kuwaitis' purchase of the Daimler-Benz shares and St. Martin's Property took place.

Contrary to popular belief at the time, these big deals of 1974 did not indicate a shift in favour of longer term investments. The basic decisions to invest the core of "the reserves" long term were taken at the time each state realised that it was about to become a chronic surplus economy. Thus Kuwait began channeling part of its reserve into equity investment in 1952, when the government set up the Kuwait Investment Board to run a portfolio in London and opened a further portfolio with Citibank in New York. Abu Dhabi began building up equity and bond portfolios in 1971, during a period of retrenchment which followed two years of serious overspending. And Saudi Arabia began raising the maturity of its deposits and CDs in 1972, in which year it came to the conclusion that it would have to embark on a programme of massive production increases which it was then thought would be needed to meet projected U.S. demand.

At present the disposition of the reserves of the Arabian Peninsula OPEC members, broadly speaking invested in the same manner as they were at the time of the 1973/4 oil crisis, is as follows:

Kuwait: At the beginning of this year Kuwait's reserve was believed to total about $18-19bn. though the exact figure was so closely guarded a secret that even quite senior Finance Ministry employees were denied access to material outside the orbit of their particular jobs, in case they should be able to hazard a guess at the total and leak it to outsiders.

This total does not include any of the Finance Ministry's cash acounts or any of the funds held by the Central Bank as backing for the note issue or as the current accounts of ministries (these Central Bank items accounting for everything that the IMF statistics list as being Kuwait's reserves of foreign exchange).

All of the $18-19bn. comes *under the authority of the* Finance Ministry, and the figure encompasses: deposits, CDs, government securities, corporate and institutional bonds, convertibles, equities, property; direct equity investments in the Arab world and elsewhere; the capital of Kuwaiti state institutions (including the Central Bank, the Kuwait Fund for Arab Economic Development and Kuwait Airways); loans to and investments in *Kuwaiti public companies*; loans to the IMF and the World Bank; capital contributions to oil producer sponsored project aid funds, investment companies, and recycling institutions; and bilateral government-to-government aid loans.

The investments in the Arab world were mostly managed through the Kuwait Foreign Trading Contracting and Investment Company and the Kuwait Real Estate Consortium (both discussed in the inter-Arab investment article in this survey); bonds were bought as much as possible through KFTCIC, the Kuwait Investment Company and the Kuwait International Investment Company; property outside the Arab world was managed partly by the Finance Ministry direct (the land on the Champs Elysees bought from the Intra Investment Company being in this category), partly by the Kuwait Investment Office, the Ministry's offshoot in London, and partly in American portfolios managed by Chase Manhattan and Bank of America; and equities were bought through 16 portfolio managers.

In 1976 it was decided on the *initiative of the Prime Minister*, who has always taken a close interest in the Reserve since the days when he was director of finance in the late 1950s, that some of the best investments should be earmarked as being part of a new "Special Fund for the Coming Generations." Accordingly the new account had "transferred" into it $3bn. of the most attractive existing assets (valued according to their prevailing market prices) and the 1975/76 15 month budget surplus of $1.75bn. In the 1976-1977 financial year it is receiving 10 per cent. of total state revenues—oil and non-oil.

The idea underlying the Special Fund is that whereas in the past the money in the reserve was not touched without the authorisation of the National Assembly, it has in practice been used for purposes for which it was never intended—grants to the Arab front line states in time of war, for instance. The reserve has also had included in it a number of distinctly non-commercial assets —including interest free aid loans. There was therefore a need for a fund which was inviolable, and which the Finance Ministry could put into first class equities and direct investments of an entirely commercial and non-political sort in the certain knowledge that their investments would not be disturbed for 25 years.

Saudi Arabia: In November last year the total assets of the Saudi Arabian Monetary Agency came to just under $53bn. Unlike the funds under the management of the Kuwait Finance Ministry, these did not constitute just a long term "reserve." As well as the government's "Special and Reserve" account (which made up a bit under half of liabilities SAMA's liabilities include: the government's current accounts; accounts of such institutions as the Saudi Development Fund, the Real Estate Development Fund, the Industrial Development Fund and other special purpose state owned banks; the accounts of state pension funds and other autonomous bodies; accounts of the commercial banks; and riyal notes and coins in circulation.

Agencies

SAMA does not think of the long term government accounts and the various other accounts it holds as being in totally separate categories and as requiring separate and watertight investment operations — although there are obviously certain assets which are "set *against*" the government reserve account. These include: contributions to the IMF's oil facilities, direct government-to-government aid loans, loans on a commercial basis to one or two industrial countries (notably Japan), loans to the World Bank and the United Nations and UN agencies, World Bank bonds, a great many of SAMA's holdings of gilt-edged, institutional and corporate bonds (many of which the Monetary Agency will keep until maturity), equities, and loans to international and intra-regional institutions.

It follows from SAMA's view of the overall unity of the assets under its control that the Agency's investment management team, seconded from Baring Brothers and White Weld, applies the same basic considerations to the investment of all the assets under its control.

Deposits are placed exclusively with banks on the Approved List. Originally this list contained just ten names, *but in recent years it has under*gone two major expansions— one in 1972 when 25 names were added, and another in 1975 when 17 names were added. Taking into account two or three additions which have been made individually at different times and one or two subtractions, the list now totals rather over 50.

As regards the maturities of deposits, before 1972 virtually all of SAMA's funds were held short term, and although since then it has been the Agency's policy to lengthen the maturities of its deposits in the medium term range, there have been times when maturities have actually shortened. Such a period occurred in late 1974 and early 1975 when the drop in loan demand in the industrialised countries caused the banks to stop quoting significantly higher rates for long term than for short term money.

In addition to deposits, SAMA invests large sums in fixed interest securities — treasury bills and bonds — with the bulk of its purchases being made on the primary market. For the most part the bonds are issued or guaranteed by governments, government agencies or international governmental institutions, but as an innovation during the past two years SAMA has begun buying a small portion of high rated corporate bonds. A further innovation has involved the purchase of some blue-chip equities. Both the corporate bond and equity portfolios are run on a discretionary basis by investment managers operating within SAMA guidelines — a fundamental feature of which is that at no time may SAMA's investment reach 5 per cent. of the voting stock of any company.

As this policy indicates, SAMA is still an *immensely* cautious and conservative institution, with a very strong sense of its responsibilities and of what is and is not a proper activity for a central bank to be engaged in. Yet compared with 1974 and earlier, when SAMA's *management in Jeddah* had the most rigid and inflexible instructions, which meant in effect that although they pumped money into the world's markets from a distance they never really "entered" those markets, SAMA is now a relatively sophisticated institution. The variety of bonds and other debt that it will buy is greater, it has more than one telex now, it occasionally trades or makes switches in order to take advantage of opportunities to improve return, it shops *around for rates, and it is more* flexible over what terms it will accept. So even if some of the more fundamental changes in policy occurred in 1972 at the time Saudi Arabia realised that it was going to become a chronic surplus economy, when SAMA first expanded the Approval List and began large scale buying of currencies other than the dollar, there have since the oil-crisis been huge changes in the style of SAMA operations.

Abu Dhabi: Since April last *year the management of Abu* Dhabi's reserve (and it should be noted that the reserve is still strictly an Abu Dhabi and not a UAE institution) has come under the Abu Dhabi Investment Authority. This body, which is almost exclusively Arab, took over from the mainly European/American Abu Dhabi Investment Board, and it is much more of an active supervisor of Abu Dhabi's reserve and less a consultative institution.

The assets under the control of ADIA are not quite the same categories as those managed by either SAMA or the Kuwait Finance Ministry. ADIA is not responsible for investing the backing for the currency issue (which is done by the UAE Currency Board) and nor is it responsible for the Abu Dhabi government current accounts (which come under the Finance Department) or bilateral and loans (which also come und the Finance Department).

This leaves ADIA with in investment operations manag by four departments which d with: equities and bonds, pr erty, finance and administra (which among other things responsible for loans to the I and the World Bank, and lo and Arab investments. This department manages most Abu Dhabi's equity partic tions in Arab joint ventures part fulfilling the same role the KFTCIC and the Kuw Real Estate *consortium* Kuwait.

It is of course the equi and bonds department wh handles the core of the rese —the part which would eq with Kuwait's Special Fund the Coming Generations. bonds portfolio is managed the department itself—in days of the Board the directly managed investme were dirham denomina bonds which the Governm arranged privately to buy f various governments and s *agencies in such countries* Ireland, Austria, France, land, Spain and South Ko The other portfolios, divided a *regional basis, are mana* by banks on the same basis most of the Kuwait Fina Ministry's portfolios.

Qatar: Early this year it estimated that Qatar's rese had reached $1.5bn., these fu being managed by the Fina Ministry, which also holds q separately a large sum of c awaiting expenditure. supervision of the investm operation is by the (mai Arab) Qatar Investment Boa which is assisted by the Qa Investment Office in Lond This was established in 1975 collect information for Board on the London stock money markets—it does invest Finance Ministry fund

The Qatar reserve is divi between 10 portfolios, refer to as "investment funds"— in dollars, two in yen, two Swiss francs, and one each sterling, Deutsche mar French francs and Canad dollars. The managers are in national banks and investm companies, changed from t to time in accordance with Board's judgment of th performance, whose names a closely guarded secret. I known, however, that either the present or in the recent p managers have included Bar with the sterling fund, Ban de Paris et des Pays Bas w the French franc fund Hambros with one of the do funds, and that other in national banks with close c *nections with the Fina* Ministry (even if it is diffic to be sure whether or not t manage funds) are Manu turers Hanover, First Natio Bank of Chicago, Morgan Gr fell and the Deutsche Bank.

The contents of the 10 inv ment funds are: equities, c vertibles, bonds, loans to deposits with investment tru government securities, cert cates of deposit, *short-te* deposits, gold mines shares a little gold—but not real esta In the past there was a m *less rigid division of curren* between funds—the manager one of the Swiss funds instance held quite big amou of Deutsche mark and Canad dollar securities—but in the p two years managers have b instructed to confine their vestments to one currency o

In addition to the investm funds there are certain as managed or held directly by Finance Ministry. These small amounts of investment the Dutch guilder, the Aust schilling, the Hong-Kong do and the Finnish mark mana by the Board itself, a share some land on the Champs El bought from the Intra Inv ment Company by the gove ments of Kuwait, Qatar Lebanon in 1973, shares in Jordanian registered Arab Ba a share in the Intra-Investm Company (the Qatar governm having been a big deposito the time the original Intra B crashed in 1966), and all of government's shares in various inter-Arab and in Third World aid funds, inv ment companies and banks.

M.J.

DISPOSITION OF SURPLUS REVENUES OF OIL PRODUCERS 1975-1977
($U.S. bn.)

	1975 Year	1976 Year	1976 First Half	1976 Third qtr.	1976 Fourth qtr.	1977 First qtr.‡
United Kingdom:						
British Government stocks	0.4	0.2	0.1	—	0.1	−0.1
Treasury Bills	−0.9	−1.2	−0.5	−0.4	—	—
Sterling deposits	0.2	−1.4	−0.8	−0.3	−0.2	0.2
Other sterling investments*	0.3	0.5	−0.2	0.1	0.2	0.1
Foreign currency deposits	4.1	5.6	2.2	1.8	1.6	2.0
Other foreign currency borrowing	0.2	0.8	0.6	0.2	—	—
	4.3	4.5	1.4	1.4	1.7	2.2
United States:						
Treasury Bonds and Notes	2.0	4.2	2.4	0.8	1.0	0.8
Treasury Bills	0.5	−1.0	0.5	−0.1	−1.4	1.4
Bank deposits	0.6	1.6	1.0	0.2	0.4	0.1
Other*	6.9	6.7	3.1	1.9	1.7	1.2
	10.0	11.5	7.0	2.8	1.7	3.5
Other countries:						
Bank deposits	5.0	7.0	1.5	2.0	3.5	1.5
Special bilateral facilities and other investments*†	12.4	10.3	6.1	2.4	1.8	2.3
	17.4	17.3	7.6	4.4	5.3	3.8
International organisations	4.0	2.0	1.8	0.1	0.1	0.1
Grand total	35.7	35.3	17.8	8.7	8.8	9.6

* Includes holdings of equities, property, etc. † Includes loans to developing countries.
‡ Provisional.

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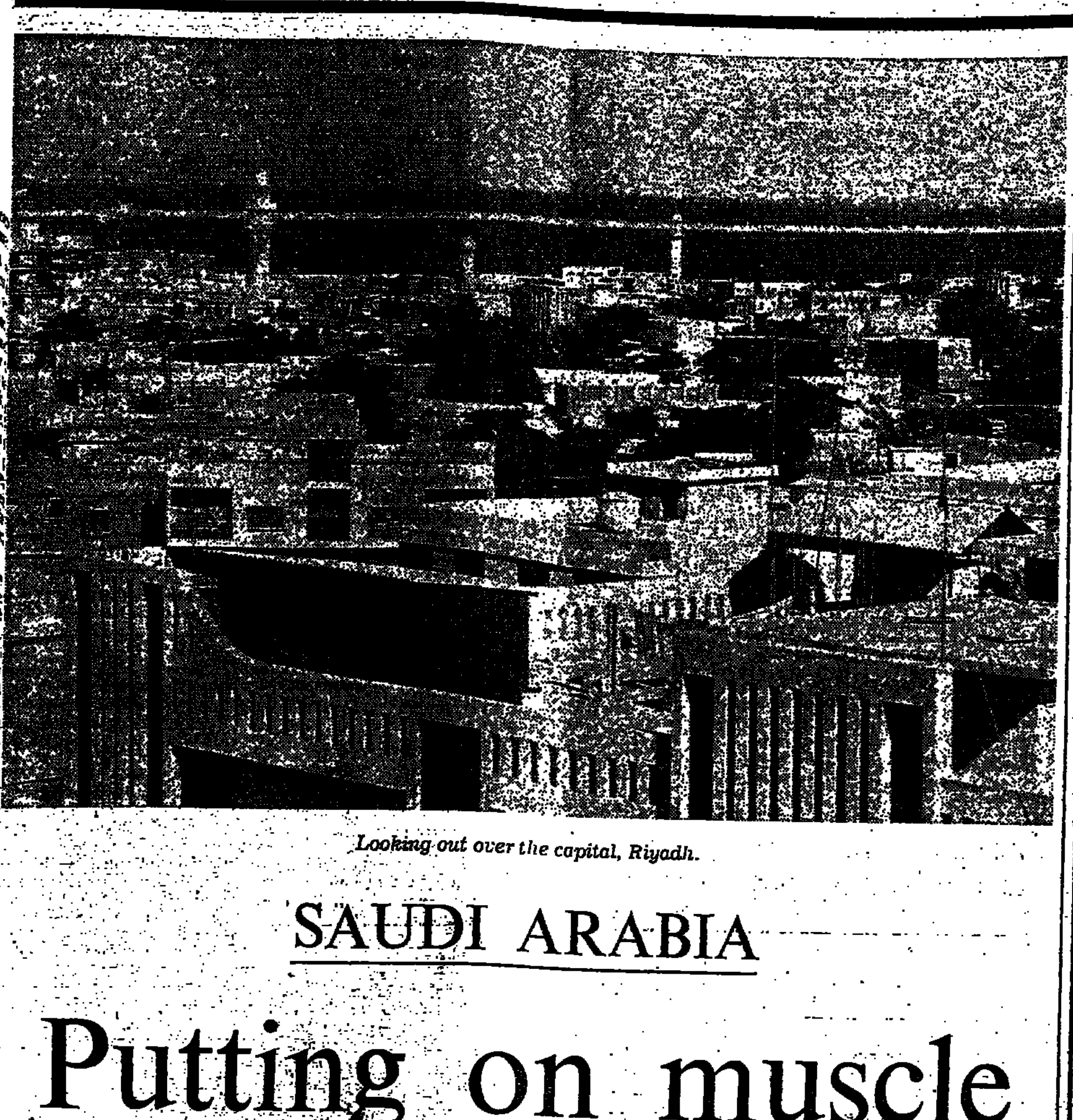

Looking out over the capital, Riyadh.

SAUDI ARABIA

Putting on muscle

IT IS ONLY in the past two years that the Saudi banking system has undergone a massive expansion and begun to acquire some of the sophistication that one would expect to find in an economy as big and as fast growing as that of Saudi Arabia.

Previously, the Saudi banks (National Commercial and Riyad) and the foreign banks in the Kingdom remained small—far smaller than the banks in Kuwait—to the extent that in mid-1974, in a year in which the Saudi Government was receiving oil revenues of some $29bn., the real assets of the banks came to no more than $2.2bn. Even now there are only 12 commercial banks in the Kingdom, a figure unchanged since 1973, and only some 70 branches—a good number of them seasonal.

Meanwhile the Saudi Arabian Monetary Agency (SAMA), the country's central bank, will still not act as lender to the banks—either directly or through offering discount facilities. In the event of a bank finding itself in a liquidity crisis SAMA would (and has in the past) provided help by buying the bank's foreign currency surplus—thus breaking its normally inflexible and somewhat unorthodox rule of being prepared to buy riyals but not sell them.

It is as well to emphasise in just how many respects the Saudi banking system is still underdeveloped, because the expansion and innovations of the last year or so have given an impression of a system which is more dynamic and contains fewer anomalies than is actually the case.

From the $2.2bn. of mid-1974, the Saudi banks' assets grew to some $7bn. at the end of Ramadan (late September) last year and must now be approaching $10bn. Because of the different calendars used by the central banks it is difficult to make exact comparisons, but at the end of last year the total assets of Kuwaiti banks, which for long had been by far the biggest in the Arabian Peninsula as a direct result of the massive personal wealth which is concentrated in the hands of Kuwaitis, came to only $14bn.

Source

Apart from the rate of growth, the most conspicuous development of the past two years in Saudi banking has been the emergence of an inter-bank deposit and exchange market. This development has been pioneered by National Commercial and Citibank (respectively the biggest and third biggest banks in the kingdom) and it has had a very big effect in providing a source of funds for the Bahraini Offshore Banking Units. In fact, without the surplus funds of the Saudi banking system (which in September last year had $5bn. of deposits but had made only $2.7bn. of loans to local customers) the Bahraini OBUs would be very much less of a success story than they have been.

For the Saudi banks themselves the emergence of the inter-bank market has lessened the inconvenience of SAMA's regulation on not buying foreign currencies—which at times in the past has forced the banks (which still find that an inordinately big proportion of their customers keep their deposits at call) to retain up to half of their assets on interest free deposit with SAMA rather than on the London money market. It should also in theory tend to facilitate international lending in riyals, by making it easier for borrowers to get back into the Saudi currency when the time comes for them to make repayment (in most cases now the lending bank will anyway give a commitment to provide riyals when repayment is due)—though official SAMA discouragement of foreign riyal lending recently has counteracted this effect.

Guarantees

Another area of developing inter-bank activity in the past two years has been in the syndication of performance bond guarantees, made necessary partly by the still modest size of the Saudi banking system (by international standards) and partly by the enormous scale of the contracts being undertaken in the Kingdom. To date four of these guarantees have been syndicated internationally—the biggest facility being $214m. for the Jubail industrial port project being built by Hyundai—but several others have been syndicated internally, with National Commercial and Citibank predictably being the most active institutions.

Interestingly, none of the developments in the Saudi banking system have come about as a result of official encouragement, as has been the case as often as not with innovations in Bahrain and Kuwait in recent years. Rather the Monetary Agency has actively discouraged operations such as long term international lending in riyals and overseas exchange market operations in riyals, which it fears may lead to the internationalisation of the currency, and has at the same time been putting a break on the growth of the system through the enforcement of Articles 6 and 8 of the banking regulations. Whereas SAMA's attitude to the internationalisation of the riyal (which to some extent is going to be an almost inevitable development) is conditioned as much as anything by its innate conservatism, the policy on Articles 6 and 8 has been brought about by its desire to push through the "Saudisation" of the banking system.

The idea of Saudisation, involving the foreign branches turning themselves into Saudi companies and issuing shares to Saudis for over half of their capital, was originally mooted at the beginning of this decade. None of the banks responded to the idea and so in mid-1975 SAMA began to exert pressure through enforcing the banking regulations. Article 6 states that banks taking domestic deposits ammounting to more than 15 times their capital plus reserves within the Kingdom must keep reserves of 50 per cent. (as opposed to the normal 25 per cent.) of these additional sums in cash, which in most instances means on deposit interest free with SAMA. Article 8 states that banks should not give loans, guarantees or overdraft facilities or open letters of credit for a single borrower within the Kingdom worth more in total than 25 per cent. of their reserves without SAMA permission, and that under no circumstances should they give loans to a single borrower exceeding 50 per cent. of their capital plus reserves.

It was around the turn of the year 1975-76 that SAMA began to make it clear that it was going to tighten up on the application of these regulations, while holding out the carrots of authorisation for capital increases and the opening of new branches—only Citibank among the non-Arab institutions in the Kingdom having previously been allowed a branch in Riyadh. It received the ready compliance of National Bank of Pakistan, which became the 35 per cent. Pakistani, 65 per cent. Saudi Bank al Jezira. Soon afterwards the Algemene Bank Nederland agreed to turn its branch into the Bank al Saudi al Hollandi, retaining 40 per cent. of the equity.

Then in the late spring of 1976 the British Bank of the Middle East, which had for long been one of the staunchest resisters, believing that acquiescence in a partial take-over in Saudi Arabia might lead to the same thing happened to its branches elsewhere, decided that it too would agree to Saudisation. Its directors felt that if the process was inevitable they might as well give in with good grace, and that anyway there would be no point in being last in the race—especially if there were rewards in the shape of more branches in prospect.

At present the British Bank of the Middle East and Banque de l'Indochine are at quite an advanced stage in their conversion to 60 per cent. Saudi institutions, the Arab Bank and Banque du Caire are discussing their conversion with SAMA and, although little has been heard about United Bank of Pakistan, Banque du Liban et d'Outre-Mer and Bank Melli, it is assumed that these institutions will be starting the Saudisation process shortly. In early June this year a cabinet decree, which at the time of its announcement had still to be approved by King Khaled, gave all foreign banks one year to have a share issue under way.

The only bank still resisting is Citibank — apparently because it does not wish to share the very considerable profits from its Riyadh operation (and having a branch in the capital already has less incentive than the others to respond to the SAMA carrot), and because it does not wish to sacrifice the group's principle of preferring branches to joint ventures overseas.

Ironically the side effects of Saudisation, in encouraging dealing through Bahrain, have helped to internationalise the riyal in just the way that SAMA has hoped to avoid. The Saudi authorities view with distaste the prospect of having big volumes of riyals moving around the international exchange markets, fearing that speculators (or, more innocently, just certain combinations of circumstances) may build up pressures on the government for a revaluation. Yet already there are quite significant markets for riyals in Frankfurt, London and Bahrain, and it is difficult to see what SAMA can do to prevent these markets getting bigger.

The one thing that SAMA has achieved by way of discouraging the internationalisation of the riyal has been to control the amount of foreign lending in the Saudi currency. For any type of lending to non-Saudi registered entities within the Kingdom or outside it the banks have to obtain 100 per cent. collateral, or a bank guarantee for the loan, or SAMA approval. Consequently SAMA has been able to restrict the number of riyal bond issues to just four (leaving aside two private placements by the Asian Development Bank and the World Bank with SAMA itself) and it seems that in future it will give permission for further issues only if the borrower is Arab, as three of the four borrowers have been anyway. Ordinary bank loans in riyals to foreign borrowers have been virtually unheard-of in Saudi Arabia, even though in Kuwait international dinar loans have been commonplace.

The Riyad and National Commercial banks, which have managed the four riyal bond issues, have tried to mount retail operations for the bonds, guaranteeing to discount the bonds for any purchaser who wants to reconvert his investment into cash. But the quality of the borrowers has tended to put off investors—the Saudis, like other Arabian Peninsula Arabs, being very conservative in their foreign investments while being able to find much more profitable investments at home in their own currencies. Consequently a large amount of the bonds has stayed with the Riyad and National Commercial banks.

Thinking

What would probably cause the Saudi bond market to take off would be the issue of bonds by a big Saudi company (as was reported to be in the pipeline recently) or a big foreign company in Saudi Arabia — assuming that is that the public could accustom itself to thinking of bonds as a store for liquidity and not as a long term investment to be kept until maturity.

However, apart from one or two isolated instances, there are unlikely to be domestic bond issues in Saudi Arabia in the near or medium-term future. Any company which is less than 75 per cent. foreign owned may borrow up to half of its capital requirements at an interest rate of 2 per cent. from the Saudi Industrial Development Fund, and it is envisaged that most of the rest of the loan capital it will require (amounting to some 25 or 30 per cent. of total requirements) it will probably obtain from the Saudi Investment Banking Corporation, (STBC), which opened its doors for business in Riyadh at the beginning of April.

SIBC, in fact, will probably take over a fair proportion of the long term lending to industrial enterprises which is now handled by the commercial banks—and in some respects the commercial banks will not be sorry to see part of this business go. Although the bulk of the banks' business remains centred on lending for inventory and day to day business operations—with the method favoured by borrowers being the fluctuating overdraft facility—there has recently been something of a craze for light industrial investment (particularly in building materials) on the part of the private sector, and loans to industry have increased accordingly. Some of these ventures look vulnerable to competition from imports.

Michael Field

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IRAN

Uneven fiscal growth

IN THE PAST three years, the Iranian economy has proved by far the most volatile among the OPEC countries. Though expanding rapidly throughout this period, growth has been extraordinarily jerky, reflecting the uneven performance of oil sales and rather crude Government efforts to rein in expenditure whenever oil income has looked like falling below expectations. Thus predictions have invariably fallen wide of the mark.

Now once again the question of oil sales has come to the fore, making it difficult to determine developments beyond next July with any precision. The only certainty is that the authorities—no matter what takes place within OPEC—have settled for lower growth rates which the economy can absorb without overheating. This year the target growth rate is 13 per cent.; but officials give the impression that if the eventual figure were only 10 per cent. it would be satisfactory. By the standards of most developing countries it would be very respectable.

The uneven economic performance and the difficulty of forecasting is compounded by a tendency on the part of the authorities to overreact. Thus the budget for fiscal 1977/78 was revised in late January to take account of the sharp drop in oil sales in the first two weeks of the month. Already these revisions, which took a very gloomy view of oil liftings as a result of the two-tier price structure, have been upset by buoyant sales. Moreover, exchange reserves have remained unexpectedly high, increasing at March last to $9.4bn. instead of the $7.3bn. anticipated in February—thanks to Government disbursements falling some $3bn. short of target.

Although the budget provisions may already appear outdated, it is important to record them simply because they offer the only real guidelines. Revenues for the general budget are roughly 75 per cent. dependent upon oil receipts. Oil revenues were based on the assumption that in the first six months liftings would average between 4.2m b/d and 5.2m. b/d in the latter half, with an overall mean of 4.6m. b/d—10 per cent. down on last year. Thus even with the 10 per cent. price increase in January, and the 5 per cent. increase in July—which will be automatic if no compromise is reached—total oil receipts will be down from $19.98bn. to $19.47bn.

In turn this drop in oil receipts forced the Government to rely to a far greater extent on domestic and foreign borrowing both in the general budget and in the budget for the State enterprises like the national oil company, NIOC. To finance the revenue gap in the general budget, the Government proposed for the first time since the 1973 oil price rises to resort to domestic borrowing to the tune of $2.12bn. and to increase foreign borrowing from $1.3bn. to $1.4bn. At the same time it sought to rely more on improved taxation, plus the introduction of a high tax on petroleum sales.

As for the State enterprises, the budget envisaged an increase in their domestic borrowing from $1.04bn. to $1.14bn. and in foreign borrowing from $1.33bn. to $1.55bn. (This includes suppliers' credits.) Already last year the latter's borrowing ceilings had been substantially raised — though never formally announced. During the year the domestic borrowing ceiling had been raised from $227m. and the foreign borrowing ceiling from $487m. A sizeable part of this was accounted for by NIOC's need to finance the 40 per cent. share in oil investments which the consortium withheld paying.

In other words, the authorities envisaged increasing the total domestic and foreign borrowing requirement by 77 per cent. According to the figures released by the Plan and Budget Organisation this would still leave a deficit of $1.7bn. if the full $49bn. budget appropriation were disbursed.

The first of the assumptions to appear incorrect—at least at this stage—is the cautious view of oil liftings. In the first quarter oil sales have been far more successful than imagined, averaging just over 5m. b/d. The next quarter sales figures will prove crucial; with the onset of spring demand has fallen off. Meanwhile, Saudi Arabian production has increased by almost 2m. b/d. Even with the uncertainty on the oil price dispute it seems likely that an average for the year of 4.6m. b/d is more than conservative.

Survive

If this proves the case and sales survive the slack summer period, then almost certainly around November the Government will reconsider its expenditure and perhaps implement a supplementary budget. On the other hand there are officials who argue that this year—the last for the fifth Five Year Plan—implementation of key projects, rather than commencement of new ones, is more important. In this way Iran would be left with a more solid base to enter the new Sixth Plan.

This raises a big question mark over Government borrowing. Will it be necessary to borrow upwards of $6bn. locally and abroad? The answer at the moment is simple—nobody knows. So far there has been no sign of a movement in the markets to borrow large sums. Indeed the $500m. loan concluded in January after lengthy negotiations and led by Chase Manhattan with 10 other leading international banks, has not been fully drawn down. As much as $200m. is still outstanding.

However, it seems safe to assume that the Government will stick to the same borrowing methods as last year. Policy in this respect has operated on the following lines. Rather than permit individual commercial banks or corporate bodies to borrow for specific projects, it has preferred to permit one specialised institution, like the Industrial and Mining Development Bank (IMDBI) or the Agricultural Development Bank (ADB) to borrow a global figure to get the best rate. Then the specialised institution parcels out funds locally itself, usually denominated in the same currency as that originally borrowed.

There are rumours of a major $1bn. loan to be negotiated by the Government of Iran. But any such speculation seems premature. Little movement is expected before July. Nevertheless some major funds will be required to be raised either by the Government for "general purposes" or for specific projects such as the new IGATT II gas line to the Soviet Union, which could cost $3bn.

But any talk in this respect could be undermined by the Government's decision to seek oil barter as a means of financing major projects. So far only one deal—for the supply by BAC of the tracked Rapier missile—has been signed. Government policy appears to be aimed at giving itself flexibility on the means of finance. It is not especially committed to the idea of oil barter deals *per se*—indeed within NIOC there is considerable opposition.

The trend in oil sales too will determine the extent to which Iran extends foreign assistance and continues its policy of selected foreign investment. Since 1973, when foreign assistance, loans and investment were running at over $2.4bn., the level has fallen off sharply, and this year could be as low as $1.1bn. In fact since 1973, when Iran overestimated the extent of its surplus funds, attitudes have hardened considerably.

For instance, Iran is never likely again to commit itself to $1.2bn. to Britain and $1bn. to France. Iran found itself in the embarrassing position last year of having to split up the second tranche loan payments in two parts to stem the impact on its own reserves. Now the message is clear: foreign assistance and investment to be given only where it is considered "essential."

BUDGET BORROWING ($bn.)

	1975-76	1976-77	1977-7
1—General budget			
(a) Domestic	—	—	2.12
(b) Foreign	0.086	1.133	1.41
2—State enterprises			
(a) Domestic	0.345	1.044	1.14
(b) Foreign	0.350	1.328	1.55
Total	0.781	3.510	6.24
(Percentage of total receipts)	(2.3)	(8.2)	(13.

Source: Plan and Budget Organisation.

Switch

A further indication of a more cautious approach to spending can be seen in the switch from cash payment for imports. For the past year no imports have been paid for on a cash basis. At the same time foreign contractors and companies operating in Iran are being increasingly paid in rials instead of foreign currency. Though clearly advantageous to Iran in one respect, this practice has a potentially negative side too.

This was clearly illustrated in March when there were strong rumours about a devaluation of the rial. Contractors, getting good rates for deposited rials, suddenly became nervous over holding large rial accounts, and they sought to change into dollars—or into any other strong foreign currency—to avoid any loss resulting from devaluation. This coupled with nervousness among Iranian businessmen led to a massive outflow of fun as much as $300m. in ten da around the end of March.

The Central Bank was slow quash the rumours, and it w not till mid April that t Governor, Mr. Hassan Mehran chose to issue a deni ruling out devaluation. T rumours have abated, but th persist and are a concern to t authorities. Again this all ste back to the gloomy assessme by the authorities at the beg *ning of the year when fac with a slump in oil sales.* Th total foreign exchange requi ments to meet both import mands and payments for s vices in 1977-78 was reckon to reach $24bn. Then it seem that one way such a gap cou be bridged was a devaluation.

For the moment it seems co rect to assume that the Centr Bank and the Ministry Finance want to peg the rial its current SDR value whi works out at rials 70.75 to th dollar, (the main traded cu rency). But there has been a historic movement downwar against the dollar since ear 1975. Moreover, so long foreign controls are waived, they have been for over t years, the rial remains sensiti to market forces. Since e change controls were relax there has been a tremendo outflow of over $2bn. of fund Indeed the demand has been strong on occasions that t banks themselves have soug to limit dollar sales in order prevent overexposure.

Robert Graha

Banks need direction

UNTIL NOW the Iranian banking system has been primarily concerned with servicing the development boom. But as growth settles down to a more manageable pace the emphasis is switching to improving the system itself, and to efforts by the Central Bank to exert greater control. All talk of Teheran becoming a major international financial centre and money market has been quietly buried with the growing realisation that the prime need is to harness the banking system, both the commercial and specialised banks, to serve the domestic economy.

The principal concern throughout the year of the Central Bank has been to contain the demand for credit from the private sector in order to limit inflation, and, more generally, to curb the rapid expansion in money supply—so much a feature of the previous two years.

During last November and December, the Central Bank instituted a series of monetary measures designed to curb private sector liquidity, and these now seem to have had the required effect. Though no final figures are yet available for the 12 months ending March 21 last, the Central Bank is confident that the increase in the ceiling for commercial bank credit has been kept down to 35 per cent. Furthermore, it seems that the expansion in money supply (MI) has been also kept around 35 per cent.—as opposed to the previous two years' average of 48 per cent., considered too inflationary by the IMF.

The squeeze on the banks—apart from tighter credit ceilings—has been imposed in three main ways. Last December the Central Bank raised the rediscount rate one percentage point to 9 per cent.—previously this had been an important source of extra funds to the commercial banks. Secondly, the Central Bank raised the reserve requirement on commercial bank deposits. Commercial banks were required to place 15 per cent. (previously 12 per cent.) of new savings and time deposits and 25 per cent. of new current account deposits with the Central Bank. In addition they were required to invest 45 per cent. of new savings and time deposits in Government bonds. These measures produced some grumblings among the commercial banks but the more sanguine recognised that such moves were necessary.

At the same time, to make it less attractive for the commercial banks to borrow short-term funds abroad, the Central Bank raised its reserve requirements. Now all foreign borrowings by commercial banks, after a cut-off date of August 1976, require a 30 per cent. deposit with the Central Bank. Previously only those borrowings that exceeded the amount outstanding for each commercial bank needed to place 30 per cent. with the Central Bank and borrowings below that amount qualified for only 15 per cent. Parallel with this the bank guarantee cash requirement for private companies seeking to borrow abroad was increased from 10 per cent. to 30 per cent.

The Central Bank found itself compelled to adopt the latter measures since short term borrowing abroad continued to prove attractive. This was largely because loan approval in Iran proved time consuming and more complex than outside the country.

Few banking systems have ever expanded so rapidly. In the four years to 1976 total assets of the banking system increased from the equivalent of $9.5bn. to $32bn., and now stand close to $40bn. During the same period deposits of the private sector (sight and time) rose from $4.7bn. to $13.6bn. This rapid expansion has been, as one economist recently pointed out, more quantitative than qualitative. The system has been exposed to considerable strain and a number of inadequacies have been exposed.

Inadequacy

The most obvious inadequacy—though in the process of being rectified—is the low capitalisation of the commercial banks. Under existing law loans cannot exceed 15 times bank capital. The minimum legal requirement is a capitalisation equal to $28m. Since 1975 most commercial banks have been obliged to increase their capital, some more than once. The Bank Saderat recently further raised its capital from $140m. to $170m., declaring that over the next five years capitalisation would reach $280m.

The commercial banks are dominated by the "Big Five"—Bank Melli, Bank Saderat, Bank Sepah, Bank Omran and Bank of Teheran. Together they account for 75 per cent. of total deposits and 70 per cent. of all loans. The remaining 20 commercial banks account for the rest. The big five banks have tended towards branch banking and now account for almost 80 per cent. of the 7,360 branches in Iran.

An unusually frank article recently published in the English language daily *Kyahan* claimed that branch banking was lacking in sophistication and efficiency. More to the point, it said: "In Iran branch banking has the dubious effect of creating a flow of funds from the provinces into the major cities, primarily Teheran, where demand for them would be higher. Provincial areas have therefore been somewhat deprived of the use of their own funds."

Put more bluntly, the commercial banks have been quite happy to obtain deposits from the provinces but have made little attempt to involve themselves in unattractive rural loans. Tehran contains 25 per cent. of all branches but only 11 per cent. of the population. Implicit recognition of this comes from the creation last year of a series of regional banks—which can take deposits—but whose primary aim to make credit available in rural areas.

Life is also made easier for the commercial banks by the presence of specialised institutions like the Industrial and Mining Development Bank (IMDBI) and the Agricultural Development Bank (ADB). The latter two are concerned with the promotion of industrial and agricultural development respectively and will take risks and offer lower rates than the commercial banks.

As regards banking practice, bankers freely concede there is much left to be done. The bazaar mentality of short-term gains is still prevalent. This is particularly evident in the property and construction sectors. Indeed there is some concern at the way a few banks have exposed themselves in property. It is not infrequent practice for branch managers to overvalue property to secure large credits for their friends.

Foreign bankers in Tehran would like to see more active promotion of an inter-bank market. But this is not as easy as it might seem. Bank Melli—because of its historical role as the Government bank and effective position as central bank before the establishment of the Central Bank—plays a dominant role. The bulk of Government funds which are not handled directly by the Central Bank are handled by Bank Melli. Thus frequently commercial banks find themselves going to only one bank for funds—Bank Melli. So the inter bank market, such as it is, remains very lop-sided. Hence the attraction, despite the penalties of stiff reserve requirements with the Central Bank, to borrow short-term abroad.

Throughout the past year th Central Bank has shown sign of changing its attitu towards increasing the numb of commercial banks. The la two commercial banks to op —the Irano-Arab and the Inte national Bank of Iran—ha been operating for over months. While there is probab enough business to accomm date more banks, the Centr Bank is conservative and wa to avoid any hint of overban ing. Thus no new licences a likely to be granted in the nea future.

Liberal

The Central Bank's attitu towards the opening of rep sentative offices is more liber There are now 57 representati offices in Tehran, many som what frustrated by the restri tions imposed on their activiti as representatives. These clude representative offices both commercial and mercha banks. Now that the boom da of the Iranian economy are ove one wonders just how viab some of these operations a The cost of keeping one rep sentative in Tehran is extreme high and the rewards hard get. Two British mercha banks, Orion and Warburg have decided in the past months to carry out their re resentation from London stead of Tehran.

More generally, there is certain disappointment that th Iranian Government has show neither the will nor the abili to create a financial centre o of Tehran. The brave wor spoken at the Iran-U.K. Fina cial Conference in October 197 of the need for an improve flow of information and go communications have so f failed to materialise. To tak just one example, the Centr Bank has acquired two golf-ba typewriters to print its own r ports since printing was bein held up by a huge log jam at th Government printers. Yet th latest bulletin in English dat back to spring 1976.

But for the authorities thes seem secondary consideration Without saying so directly, th idea of Tehran as a financi centre is now considered prem ture. The Iranian attitude seem to be this. If it happens as par of the natural development o the Iranian banking system, al well and good; if it does no then there is little lost since al the international banks were in terested in was creaming o profits which would not touc the Iranian economy.

R.G

هكذا من الأصل

UAE

Need for reform

ATE LAST YEAR the chief ecutives of the monetary thorities of the United Emir- es, Kuwait, Bahrain and Qatar et in Dubai. Ostensibly their eeting was to discuss the pro- ess being made towards the anned currency union. But was the subject of inflation hich dominated the proceed- igs. In the four states inflation raging—with the rate vary- g in intensity from 25 to 40 er cent. It was decided that ey should attempt to attack e problem in unison. There s been no joint campaign. he prospect of a common cur- ncy, meanwhile, has receded rther into the future—not the ast because of the banking isis created by the extraord- ary growth in credit in the AE and the measures taken y the Currency Board in part, least, to curb it.

It is easy to be wise after the vent. But in retrospect it ould be said that some sort of isis was bound to occur given e unrestrained boom in con- truction, the proliferation of anks in the UAE and the lack f controls over them. The roubles this year, which cul- inated in the closure of two anks in May, were salutary and hould lead to much more tability in the future although may take some time for con- dence in the system to be estored. Established in 1973, ne UAE Currency Board lacked ot only the specific powers equired to supervise what is rguably the most "over- anked" territory in the world, ut also the political backing eeded to assert discipline.

With the stimulus of greatly creased petroleum revenue ne UAE, one of the lesser eveloped countries amongst ne leading oil producers, has ndergone a break-neck expan- ion over the past three years. bu Dhabi's receipts from oil ose from about $900m. in 1973 an estimated $6bn. in 1976 d those of Dubai from $140m. over $1bn. over the same riod. In the meantime arjah and Umm al Qiwain ve been receiving a modest come from the field lying off- ore near the island of Abu sa in which Iran has a half are. The rapid growth in onomic activity is reflected in e dramatic rise in imports m $821m. in 1973 to some- ing in the region of $3.5bn. t year. Parallel with this re has been an extraordinary crease in money supply which s up by no less than 80 per nt in 1976.

Outstanding credit extended the commercial banks in the AE leapt by no less than 85 per cent. last year compared with 65 per cent. in 1975. Quite clearly it has been a major factor contributing to inflation in the Federation. Quite apart from that, the amount advanced has indicated the dangers from competition of many banks at a time when the boom has levelled off and in the vital construction sector a recession has set in. Although economic growth was rapid, it was hardly sufficient to provide business for so many institutions and also ensure healthy stability.

In their competitive way the individual Rulers of the seven Emirates were keen to attract as many institutions as possible believing that there could not be too many. Wishing to build up the UAE as a financial centre, the Currency Board actively encouraged new entrants. When it was established there were 20 banks operating in the Federation, 14 of them branches of foreign concerns and six locally incorporated.

Moratorium

Subsequently the moratorium was lifted to allow in Lloyd's Bank International (because of its supply of credit for Dubai's industrial projects) and branches of the national banks of Bahrain, Qatar, Oman and Sudan. This spring, however, the Ruler of Dubai unilaterally authorised the opening of two more—which in the circumstances the Currency Board had little choice but to give formal approval. At the last count the UAE had no less than 56 banks authorised with just over 300 branches operating and another 130 approved.

Following Bahrain's venture into off-shore banking last month the UAE invited international banks to apply for restricted banking licenses permitting them to do any business except domestic retail operations defined as the taking of dirham deposits but in practice allowing considerable on-shore business. The intensive competition already existing in the UAE and the head start obtained by Bahrain in attracting the top names internationally did not encourage applications. Only a dozen have been granted—six for Abu Dhabi and six for Dubai—but only one, in the latter has actually set up shop.

Doubts about the stability of the UAE banking system grew as the economic boom gained momentum. By early 1976 the competition for business — with a greatly increased number of institutions vying for it — grew intense. Despite the intensive economic activity and the growth since the moratorium was declared it did not seem as if there would be enough to go round. A large proportion of deposits remained in the hands of a dozen or so well-established banks. The newcomers were prepared to accept risks which the well-established would not be prepared to accept.

The great glut of credit which ensued was to a large extent ploughed into the property development sector. In Abu Dhabi it absorbed 60 per cent. of all bank credit by last year. In Dubai it was much less, accounting for one sixth, reflecting the Emirate's role as an entrepot centre for the UAE and the region as a whole. Speculation was rife and profits much fatter than any productive enterprise could provide. A number of banks became so deeply involved in the real estate market as to act as property agents, advising the developer on contractors, architects and even providing tenants. Late last year the Currency Board began warning banks against lending long and borrowing short, for a number of banks had allowed their advances to exceed deposits by as much as 250 per cent.

The situation was becoming increasingly precarious when dirham squeeze came in February this year. It followed a move by the currency board to acquire foreign exchange. Banks eagerly bought the dollars up, but the board promptly called on them to pay up in dirhams. For added effect, it applied a punitive 1 per cent. a day interest rate on overdrawn balances with the board, and cancelled swop facilities. Some of the more conservative bankers made spectacular profits, while others were shown to be clearly over extended. However, this lesson was not learnt sufficiently well by a number of banks.

Shortly after, Sheikh Rashid, Ruler of Dubai gave approvals for two more banks to operate within his emirate, one the Union Bank of the Middle East and the other the Emirates National Bank, both owned by prominent Dubai interests. This was in direct defiance of a moratorium applied by the currency board the year before on all new bank openings. Clearly, the board had to reassert its authority and institute some kind of control over the unfettered banking community.

The new measures came in a package introduced by the Currency Board in May. The regulations called on banks to bring their capital and reserves ratios into a ratio of one to 15 to their total liabilities. They also increased Dirham deposits holdings of the banks with the board from 5 per cent. to 7½ per cent., it also declared a full moratorium on all new banks for the foreseeable future. The measures were designed to bring down the level of credit, curb inflation and help create a more solid base for the system. Overall, the package was welcomed by all banks, though some are expected to experience difficulties over the capital ratios, although the board has given the banks a considerable time to bring themselves in line.

However, in the very same week that the new measures were introduced, the Currency Board suspended two banks from operating in the country. The Ajman Arab Bank and the Janata Bank of Bangladesh had been consistently overdrawn with their balances at the board. At this time it is not known whether the banks will go into voluntary or forced liquidation. The Bangladesh Government was understood to be able to come up with the necessary $10m. and so to tide over its bank, though it appeared that the monetary authority took the view that the banks have lost public confidence and have little future of ever being viable businesses again, and it is unlikely that they will ever re-open.

Shock

Perhaps the greatest shock was the failure of the Currency Board to move in and protect the depositors. According to its statutes the board has a duty to uphold the stability of the banking system, and following the closures there were detectable drifts of funds away from the locally incorporated banks to the larger foreign banks. The situation was not helped by the circulation of lists by shopkeepers which advised their staff not to accept cheques from a number of reputedly edgy banks. An additional complication was that the Ajman Arab Bank was partially owned by the ruling family of Ajman, and the failure of the board to move in, sent a clear message to other emirates that Abu Dhabi is not going to bail them out of unwise commercial dealings.

The decision also provoked the resignation of Mr. Ronald Scott, Managing-director of the Currency board which he had originally established. Mr. Scott had allegedly tendered his resignation when Sheikh Rashid went ahead and approved the two more banks some six weeks earlier, but at the time it was not accepted. This time it was, and he has now been replaced by a triumvirate of UAE nationals. They are Mr. Abdulla Mazroule, deputy chief executive of the National Bank of Abu Dhabi, Mr. Nasser Nuweis, deputy Director-General of the Abu Dhabi Fund for Arab Economic Development, and Mr. Ahmed Tayer, director-general of the Ministry of Finance with special responsibility for budgetary affairs. The move was proceeded with much Arab "flag-waving" in the columns of the local press, which daily criticised the management of the board, accusing it of mis-directing the UAE economy and calling on UAE nationals to "assume their rightful tasks." On the whole, the departure of Mr. Scott has not been a cordial one.

The newly constituted management lost little time in demonstrating its concern for inflation. Within days of its appointment the triumvirate instituted new banking regulations. The measures called on banks to take a 25 per cent. cash margin when accepting letters of credit on behalf of their customers. Ten per cent. was also to be deposited to back tender bonds and bank guarantees. Neither could be financed by bank borrowing. Foreign currency reserves of commercial banks with the board were also increased from one per cent. to 5 per cent. The moves were directed at bringing down the level of imports into the country.

The result was an immediate outcry from traders and bankers alike. Banks felt the measures a little harsh and particularly ill-timed, coming so shortly after the two bank closures. Others believed that it could mean a loss of business for UAE banks because letters of credit would be registered outside the country in such likely centres as Bahrain. The requirement of deposits for guarantees and bonds would hit particularly hard new businesses and contractors, for a major part of the contracting business in the UAE is derived from Government departments, which require bonds as a matter of course. New businesses in the UAE are obliged to put up bank guarantees varying from $25,000 to $100,000 in the course of applying for a trade licence. Dubai was naturally the most vocal of the complainants, for the emirate depends on its trade and extensive port facilities to maintain its reputation as entrepot centre for the whole region. The measures would have been a severe blow to its status as a financial centre.

The UAE Bankers Association, while openly applauding the spirit of the measures, privately questioned the implications of them. In the days that followed, the opinions of prominent merchants, bankers and Board members were put to the UAE President, Sheikh Zayed. The result was a cancellation of the measures. Some members of the Government thought that the decision had been a little "over-enthusiastic and too hasty." Others interpreted it as "growing pains" for the new management of the Currency Board, and hoped that in the future its decisions would be a little more reasoned.

Banking troubles in the UAE this year very much reflect the divisions in the Federation, a unique entity which is still evolving. The International Monetary Fund has long urged the establishment of a fully-fledged Central Bank with specific, adequate powers to control credit and inspect the operations of banks. Draft legislation to create such an institution has been ready for a year or so—but has not apparently found favour with Dubai. This State also has not been prepared to make over its foreign exchange receipts from oil to the Currency Board—a practice that Abu Dhabi started over two years ago. At the same time the decision to withhold funds from the banks in trouble in May appeared to stem in part from President Zaed's resentment that the Currency Board has underwritten funds for Ras al Khaimah, Sharjah and Ajman.

When the crisis reached its peak an IMF team was completing a report. In the meantime a member of the Currency Board invited the Bank of England to send experts who were eventually dispatched when word was received that both his colleagues and the Government would welcome them. It remains to be seen whether they will be able to stimulate the reforms required if full confidence is to be restored.

Kathleen Bishtawi

Kuwait

Front runner

E SAUDI ARABIA, Kuwait been able to regard with animity fluctuations in the market of the kind which ve caused concern to revenue- ngry States like Iran and with their big populations high absorptive capacity. r the past three years since really big escalation in oil ces it has absorbed little re than one third of its total enues. Even after substan- donations of concessional and grants to the front-line b States it has been able to ass a surplus for longer term estment of as much as bn. during this period.

Kuwait boasts a figure of ut 8 per cent. of GNP for aid commitments, although terms of interest, a signifi- t proportion of it should be ssified as part of the State's g-term investment which, in ious forms, now totals $18- n. At an average return of ut 8 per cent. it generates income now running at an ual rate of something like

uwait's history as a State in plus long predates that of other oil-producing coun- s. The policy, consciously sued for two decades, of dis- uting petroleum wealth ng its privileged citizens created a pool of private lth that has resulted in estments abroad reckoned to worth at least $5bn.

bove all, the need to dispose he State's capital surplus has ditioned Kuwait's continuing elopment as a financial tre.

fficial figures recently ased for the 15-month fiscal r 1975-76 (extended by three ths until the end of June) wed a budgetary surplus of .97bn., with revenue exceed- spending nearly four times. compared with one of .18bn. in 1974-75 (ending ch 31 in the latter year), ng a total of KD4.11bn., or equivalent of nearly 40bn. at the current rate of ange over this (when oil receipts were boosted by retro-active payments).

In the budget for the fiscal year 1976-77 just ended revenue (not including investment income) was set cautiously at KD2.17bn., of which KD2.11bn. ($7.38bn.) was expected to come from oil. In the event output will have held up much better than expected. In the last six months of 1976 it was 16 per cent. up on the corresponding period of 1975 thanks largely to the high liftings in the last quarter in anticipation of the last OPEC price rise.

Repeatedly, however, Kuwait has shown its concern about both the safety and the profitability of such investments. Despite the sincerity of the aspiration to use Arab surplus capital for Arab development in the wider context the State has been made aware of the lack of the right institutional arrangements and general environment. Similarly, there have been misgivings about investments in the West, voiced recently in an interview by Mr. Abdel Rahman al Attiqi, Minister of Finance, when he spoke of the need "to avoid searching for places to invest the capital of my depleting resources."

He was referring to U.S. regulations obliging disclosure of all shareholders' investments exceeding 5 per cent. in any one company and the lowering of U.K. requirements to the same level from 10 per cent. earlier this year. Kuwait wishes to spread its assets as widely as possible — including East Europe, where it is to finance a refinery which will process Kuwaiti crude.

Aware of its limited potential for development Kuwait long ago set out to accumulate a substantial financial reserve to provide an alternative source of income for the future. In the early uncertain days of its independence the wish to allay envy and win friends was a prime motive in an aid policy formulated long before the emergence of a massive OPEC surplus. Founded in 1961, the Kuwait Fund for Arab Economic Development (KFAED) had by the end of last year disbursed no less than KD160.4m. ($554m.) in cheap loans of which KD39.6m. had been repaid. KFAED has provided a model for other regional funds, with which it is co-operating closely.

Following the OPEC split, Kuwait, at the upper end of the scale and with only heavy sulphorous oil to offer, expected to be hard hit, but was in fact only down 0.8 per cent. in the January-April period. With a 10 per cent. price imposed from the beginning of the year it seems probable that revenue would have been more in the region of $8.5-9bn., or about twice the anticipated expenditure of KD1.27m. ($4.45bn.).

Public and private sector finance converge in Kuwait's involvement in the bond market. Formerly the bulk of funds raised came from the Ministry of Finance but now the State's leading finance houses concerned can normally cover 60 per cent. to 70 per cent. of an issue from their own resources, according to Mr. Khaled Abu Saud, Under-Secretary at the Ministry of Finance. Together with the Kuwait Trading Contracting and Investment Company (KFTCIC), the institution longest established in this field, has been the 50 per cent. State-owned Kuwait Investment Company (KIC).

Kuwait institutions remain very active in loan syndication. But last year saw a marked decline in lead management by them. KIC, for instance, was responsible for only three issues worth $64.89m. compared with six totalling $209.75m. in the previous year. KFTCIC was down by half from four totalling $77.87 in 1975 to two

CONTINUED ON NEXT PAGE

BAHRAIN

Developing capital market

THE FIRST six months of this year have been very quiet ones for both of Bahrain's banking communities, the retail and the offshore. The offshore bankers are talking in terms of "steady expansion" and the retail bankers are using words like "consolidation" or "stabilisation" to describe the present nature of their business. The signs are that the second half of 1977 will be equally quiet. All the dramas seem to be confined to the United Arab Emirates which once had ambitions to rival Bahrain as the Gulf's offshore banking centre.

The latest estimates for the total funds handled by banks in Bahrain's year-old off-shore market suggest a figure of $9bn. at the end of April as compared with $8.5bn. officially reported to the Bahrain Monetary Agency at the end of March. At that rate of increase (the December figure was $6.2bn.) it looks as though director-general Alan Moore's prediction of a $10bn. market within a year, made when barely five offshore units were in operation, will come true within 18 months.

For the 18 retail banks a year of relative quiet is very necessary after the hectic expansion during 1976 when lending overall increased by more than 60 per cent. The rate of increase in bank lending, if the first quarter 1977 figures are projected forward through the year, is now around 27 per cent. Both bank managers and the managers of the Bahrain economy hope that it will remain at such sane levels. "Last year we lent enough to keep everyone happy for two years," commented one retail banker. "Now it is time to digest the results."

The offshore bankers, too, are digesting the results of their first months of operation and planning for the future accordingly. "It is significant that most of the offshore banking units now operating are expanding their staffing," comments Alan Moore. "Quite a few are picking up after a slow, or cautious, start." Among the 32 banks actually trading, the spread of business and the rate of activity naturally vary, but even the quietest of the units has a balance sheet of around $100m., Alan Moore observes.

Almost without exception those banks that have been in operation since the middle of last year are bringing out more executive and support staff. "We have six dealers now," says one banker, "we started with two a year ago and now we need more backup staff. We did not originally expect to grow so fast."

The Bank of America started operations with four expatriate staff a little under a year ago and now has nine expatriates out of a total of 38 employees. And the manager expects to see a staff increase of about a third over the next twelve months or so. The bank has also made extensive plans to computerise its operations and link into the London operation very shortly. The bank has estimated that its computerisation plans for the Bahrain branch will cost in the region of $250,000. Direct operating costs are already over a million dollars annually. The computer link with London will be by dedicated telephone line which can carry telex messages, voice or computer print and which will link with the Bahrain branch with other Bank America branches through London. In spite of these heavy costs the bank claims to be covering its own expenses from Bahrain earnings.

About another eight offshore branches are due to come into operation this year but most already have premises booked if not wholly usuable. The Swiss Bank Corporation and the Union des Banques Arabes et Francaises, for example, were so eager to get into business that they furnished and equipped officies in a building whose facade and ground floor are still being completed. The latest bank to acquire an offshore licence is one of Bahrain's newer retail banks, the National Bank of Abu Dhabi, which was granted its licence in the third week of June.

Presence

As it is a major vehicle for the funds of the Abu Dhabi Government, its presence in the Bahrain off-shore market should expand business considerably if it brings its foreign exchange business over. The present uncertain situation in the UAE and new regulations issued by the three-man managing-directorate (such as raising the foreign currency reserve requirement from 1 to 5 per cent.) is likely to encourage the bank to do more business through Bahrain.

The competition between Bahrain and the UAE to become the money market in the Gulf (always denied by Mr. Moore of the BMA and the former managing director of the UAE currency board, Mr. Ronald Scott), has now died. The concept of restricted licence banking (RLB's) never really caught on in UAE among the world's major banks and of the 12 licences granted, only one is actually operational. Nor did it prevent Emirates citizens from setting up new retail banks contrary to the intended moratorium by the UAECB.

Possibly the lowest point in the relationship between the two banking communities came during the dirham crisis of January-February this year. Some bankers in the UAE were reportedly blaming Bahrain based OBU's for speculating "against" the dirham. Mr. Scott thought there was too much dealing in dirhams from Bahrain for the size of currency. The Bahrain-based bankers commented on the "heavy-handed" approach of the currency board to the problem. A report on their dealings in dirhams, called for by the BMA, apparently exonerated the OBU's from the charge of speculation.

And yet in the early days of 1976 when the Bahrain offshore market was more of an admired concept than a reality, there was much public debate as to whether Bahrain was really the best place for such a market to establish itself. It was pointed out that the UAE, and Dubai in particular, was a much more "natural" location given the scale of business. By Gulf standards Bahrain is a poor country with expected oil revenues this year of under $400m. compared to $6bn. for Abu Dhabi and $1bn. for Dubai. What attracted bankers in the Emirates were the prospects of foreign exchange business as well as commercial lending.

The market started in January last year with about $1.5bn. of funds and two banks, Citibank dealing in Eurodollars and Algemene Bank Nederland taking the plunge into regional currencies. The bulk of the funds were initially handled by Citibank, which in spite of its retail licence, is still more involved in wholesale banking as an analysis of 1976 figures, recently published, reveals.

However, it is commonly conceded that the offshore market really started when the first of the four money brokers in Bahrain started operations. Marshall's began in mid-April last year. It was rapidly followed by Sarabex and R. P. Martin who were joined in June this year by a three-man Charles Fulton team.

Foreign exchange is still an important area of business for the OBU's and for some of the smaller ones it is almost the only business they do. But the past year has seen a marked increase in commercial lending, large scale documentary credit business and syndicated loans. At the end of 1976 loans to non-banks stood at $1.7bn., at the end of March this year the figure was $2.3bn.

The principal countries into which the Bahrain offshore banks are lending are Saudi Arabi and Kuwait with Iran being considered as possibly a very good market. The Kuwaitis showed an interest in the Bahrain offshore market from the beginning and now, Bahrain-based bankers say, they use the market extensively. Saudi Arabia is a good market because of the country's comparatively limited banking scene. Performance bonds are very much of interest to all the offshore banks and many see the possibility of direct lending to customers "because it will be cheaper for them to finance their operations out here locally rather than from London."

There is not much bond dealing as yet though bankers comment that the advent of the Reuter Monitor service has given a fillip to trading. Trade in the two Bahraini dinar issues this year, for the Philippine government and for the Mexican government agency Nafinsa, is light. "We still do not have prime borrowers coming to the market for local currency loans," comments one banker and another adds "the bond market is probably better left to Kuwait."

A current preoccupation of the offshore bankers is the possibility of creating certificates of deposit. This is seen as a next step in the evolution of what could become the capital market for the Arab world. However, at present the reasons why certificates of deposit are not being created are more discussed than the reasons why they should be and they range from simple absence of safes to absence of an organisation with experience in dealing in such matters.

Some of the off-shore bankers believe that a retail bank will be the most natural source of certificates of deposit, should they ever occur. "It is a little bit early for an offshore unit to issue them; it needs a bank with retail back up," is one argument—and eyes turn to Citibank who, some say, sparked off the whole offshore concept in the BMA's mind in the first place. Citibank, although it is among the top five retail banks in Bahrain measured by balance sheet totals, is more in the wholesale money business than in lending to individual companies. Figures recently issued by the Bahrain Monetary Agency show that Citibank's deposits with other Citibank branches totalled about $29.5m. and its deposits with other banks came to $105.75m. while advances merely totalled $21.5m.

The lending picture in Bahrain showed one remarkable change in the course of 1976. By mid-year loans to the construction sector had overtaken loans to commerce—this is an island which has long had a tradition of entrepot business. At the end of the second quarter of last year loans to construction accounted for just under 34 per cent. of the total and loans to finance trade for about 26 per cent. The figures for the previous quarter were 23 per cent. and 33 per c respectively.

One senior banker in Bah has estimated that there is $200m. outstanding on party loans alone. At the of the first quarter of lending to the construction tor accounted for two fifth the total, though the feelin the figure may have been len by some re-classificatio loans.

The biggest lenders in rain are the National Ban Bahrain which had an incr of over 80 per cent. in adva last year, the Chartered B Bank Melli Iran, the Br Bank of the Middle East an Bank of Bahrain and Ku (not in order of size). lending of all kinds sl dramatically in the first qu of this year; at the en December the banks had over $678.75m., an increa over 60 per cent. on the pre year, but at the end of M the figure had only rise $724.75.

Downturn

This apparent drying-u credit in Bahrain has prod some cries of outrage from companies and individuals, ticularly those who are now ing through a rough econ patch themselves. There downturn in the constructio dustry which is gloomily a pating a further decreas business in the coming mo The unexpected speed which the port congestio Mina Sulman was cleared u faced many local traders the ned to pay for goods earlier than they had plan Many local merchants are stocked and trade is slack sales go on like this I enough stock for two years ported one furniture retaile

There is no doubt that excessive credit expansio 1976 worried the Bahraini ernment. To prevent a r rence of this when the econ turns up again—some say will be in about nine mont so—the Government has nounced plans for the s development bonds to financial institutions but marily the banks. The Min of Finance, Mr. Ibrahim A Karim, was empowered to up to $75m. worth of bond June and intends to marke first tranche in the co autumn.

Details of the bonds have yet been settled, neither rate nor whether they wil bearer or registered b though the term has been at five years. While officially put across that bonds have been created to reduce inflation and lessen degree of future inflation reducing liquidity of the rain banking scene there also been talk of bonds, Gov ment debt, as a new way financing Bahrain Governm expenditure.

The Finance Minister publicly speculated that rev generating infrastructure jects, electricity, for exan could be financed in this But reaction to the bonds be closely monitored for highly likely that the Bah Government, with its dwin oil revenues, will have to to either the local or i national market for fund the future. The succe placing of these first Gulf "gilts" will be a first towards the creation of a Arab capital market.

Doina Thor

Kuwait

CONTINUED FROM PREVIOUS PAGE

$34.13. Only KIIC more than held its own, with seven issues totalling $175m.

Explaining the decline earlier this year Mr. Abu Saud explained that the institutions had met resistance from "some anti-Arab companies"—a reference to the difficulties caused in 1975 when they and the Libyan Arab Foreign Bank raised objections to the names of Jewish banks black-listed by the Arab Boycott of Israel appearing on the same "tombstones."

Parallel with this development was a big increase in the mobilisation of loans in Kuwaiti dinars. In 1976 they totalled KD80m. compared with KD52.5m. in 1975 and KD15m. in 1974. By the end of last year their accumulated value was the equivalent of $1bn., Mr. Hikmat Nashashibi, manager of KIIC, has pointed out that quantitatively the performance "compares favourably, indeed, with activity in the Eurobond market [now with a total value of over $40bn.], especially if one considers that the size of the market for Eurobonds denominated in currencies other than the U.S. dollar stands at $13bn. equivalent."

Apart from the big three institutions, others responded vigorously to the demand. Equally interesting five of the issues last year, amounting to KD35m., were raised on behalf of Arab aid bodies to channel development projects. "These loans complement official development assistance and the effort of Arab aid bodies to channel surpluses to deficit Arab countries." For Kuwaiti lenders, not the least the commercial banks with assets in excess of lending opportunities, these operations in the local currency with its relatively stable exchange value has its attractions. In this way Kuwait is developing a capital market.

As such, it should be fortified by the founding in April of the Arab Company for Trading Securities (Acts) for the purpose of promoting and developing a secondary market for bonds and other fixed-income securities denominated in both Kuwaiti dinars and other international currencies. Owned 65 per cent. by KIIC and 35 per cent. by the Industrial Bank of Kuwait (IBK). ACTS hopes not only to develop a secondary market but also to bring about a more realistic pricing of issues and attract better class borrowers (for the most part they have been less than prime ones). It is also aiming at individual investor in the dinar bond market.

First deliberate steps towards the creation of a secondary market were taken by the IBK towards the end of 1975 when it put out a KD5m. three-year issue with a coupon of 6½ per cent. Four months later a second five-year flotation for the same amount but carrying an interest rate of 6⅞ per cent. was more than 100 per cent. over-subscribed.

In another development KIIC last year issued KD20m. worth of certificates of undivided interest in a specific real estate project. They have been traded and turnover is said to have been good. Last year Kuwaiti borrowers for the first time raised funds through floating-rate Euroloans. The IBK has stated its intention of starting the issue of certificates of deposit in dinars and the banks may also be interested in doing the same once ACTS is fully in operation as a market maker.

At the beginning of this year the Central Bank was finally given the power to fix maximum interest rates above 7 per cent. In February it decided on a new scale with an effective ceiling of 7 per cent. for secured and productive lending not exceeding for 12 months (to be raised to 8½ per cent. a year later); an effective one of 8½ per cent. for unsecured and unproductive lending (to be raised to 10 per cent a year later), and a minimum one of 4 per cent. for savings.

The Central Bank was finally persuaded by the banks that could not make profits with the 7 per cent. ceiling continuing in force and that business would be lost to Bahrain's off-shore banking units—giving the big merchants who could utilise them better an unfair advantage over the smaller traders. With lively competition in the retail banking market—despite the restricted number of banks operating—the upward drift was not initially very great.

Partly because they have been limited in number as an act of policy the Kuwaiti commercial banks are large by the standards of the region. The National Bank of Kuwait, the Commercial Bank of Kuwait, the Gulf Bank, the Al Ahli Bank, and the Bank of Kuwait and the Middle East had total assets of KD1.83bn. ($6.43bn.) at the end of March, up 37 per cent. on the KD1.34bn. recorded a year earlier.

Traditionally, for want of sufficient lending opportunities at home and with the attraction of higher interest rates obtainable abroad, they have held a high proportion of available funds abroad. Even though it was much lower than it once was, capital plus reserves still covered only 27 per cent. of the banks' risk exposure in foreign currency at the end of March. In the previous 12 months their foreign assets rose from KD567.4m. to KD690.5m. only 12 per cent., however, while credit to the private sector went up by 60 per cent. from KD594.2m. to KD947.1m.

This expansion was not only a major inflationary factor which in itself called for the giving to the Central Bank of powers to control interest rates. It also illustrated the intensity of economic growth and the tendency of Kuwaiti business to concentrate on domestic opportunities, repatriating capital in the process, over the past two or three years.

Last year the share boom was such as to raise the market valuation of shares traded from KD948m. to KD2.37bn. Prices are probably higher in relation to par value than anywhere. Early in April the Kuwait Stock Exchange established by the Commerce Ministry's securities committee with British advice, opened on temporary premises.

In this way, with 53 concerns listed, a much-needed regulatory framework to a market, in which price manipulation and the dissemination of false information had been widespread, has been provided. Every deal is recorded and reported—with amounts and prices involved—on closed-circuit television. As a result, transactions have greatly increased although they are still negotiated.

The Stock Exchange is still very much a clearing house—there is no dealing by public auction. More important, however, high new standards have been set and, even though no foreign shares are traded, Kuwait has taken another step towards greater sophistication and strength as a financial centre.

Richard Johns

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JORDAN

Local controls

THE JORDANIAN banking system is small, but by the standards of the vastly richer Arab countries on which the attention of the outside world is more often focused, it is quite sophisticated and is closely involved in the development of all sectors of the domestic economy. The banks in Jordan have none of the huge foreign assets of Arabian banks, but they have lent a substantial amount to local industry.

At the end of February this year the commercial banks had loans outstanding worth JD194m. ($583m.), of which general commerce, and foreign trade accounted for 42 per cent., land purchase and construction for 17 per cent., and industry, the third largest category, for just under 13 per cent. The banks in Jordan had never avoided industry entirely—in the past they have lent to most of the big industrial projects in the Kingdom—phosphates mining, the cement plant and the Zerqa refinery—but it is only in the past two or three years, under the three year and five year plans, that they have begun industrial lending on a significant scale. Loans to this sector by the commercial banks alone have risen from JD4m. at the end of 1972 and JD6m. at the end of 1973 to over JD24m. in February this year. Meanwhile the Industrial Development Bank, a specialist lending institution financed partly by the commercial banks, had loans outstanding at the end of last year worth almost JD8m.

Looking down the main street in modern Amman.

Loans

Much of the banks increased enthusiasm for industrial lending can be ascribed to their growing confidence in the Kingdom's political stability and economic prospects (even without the West Bank)—a confidence which is conducive to long-term lending.

Loans for real estate purchase and development, on the other hand, are now something which both the commercial banks and the authorities would prefer not to see expand—the authorities because they want Jordan's private sector to channel its capital into more productive operations, and the banks because they feel that in Amman, as elsewhere in the Middle East, the property boom has peaked.

Although some of the foreign banks always made it their policy not to lend consciously for real estate developments, there is no doubt that the land boom was fuelled largely by bank lending. And the scale of this lending must in reality have been much greater than the banks realised (and greater than the official statistics would suggest) because the banks have no way of preventing big customers using facilities originally granted for trade or general business purposes to finance property investments.

In future an increasing proportion of demand for loans for property developments and house buying (though not land purchase or speculation) will be met by the Housing Bank, which was established in 1974 and by the end of last year had outstanding loans of JD23.4m. The Housing Bank, which is supplementing on a very big scale the work of the old and small private sector Arab Land Bank, may lend up to JD7,000 per customer for private housing and up to JD35 per square metre for commercial developments, as well as subscribing to the equity of projects for the production of building materials.

Apart from seeking to discourage real estate lending (which they have done informally in their talks with the banks' managers), the Jordanian central banking authorities have recently been anxious to dampen the rate of inflation in the Kingdom (now reduced to 11 per cent., which is not bad by Middle East standards) and avoid the increase in the money supply putting pressure on the parity of the dinar.

In part they have done this by issuing government bonds, yielding 8 per cent. tax free, some of the proceeds of which they have lent to the Industrial Development Bank—thus fulfilling their secondary aim of [illegible] capital to productive operations. Some of the bonds have been bought by the banks, which at the end of February had JD[illegible]m. of government bonds and bills, but the main target of the sales has been the Jordanian public, who have been encouraged to buy the Central Bank guaranteeing to discount the bonds at any time. (It is interesting that this provision was also incorporated in the first domestic bond issue in Kuwait.)

At the same time the Central Bank has started (as of March this year) enforcing an old regulation which says that not more than a certain percentage of deposits (the current figure is set at 70 per cent.) may be deployed as advances. The tightening up on this regulation marks a departure from the older system, used in 1976, under which the authorities would ask the banks not to lend in a given month more than a certain proportion (say 5 per cent.) of their total advances figure as of a certain date previously (say six months or a year earlier).

As a third means of exercising a deflationary influence on the economy, the authorities six months ago increased the percentage of deposits which the banks are obliged to hold interest-free with the Central Bank. The levels now in force are 12 per cent. of savings accounts, fixed deposits and notice accounts, and 15 per cent. of current accounts.

Finally, as a purely passive measure, the authorities have insisted on the maintenance of the 9 per cent. legal limit on the lending rate. This limit is very old—going back to Ottoman days—but has nothing to do with the Koranic prohibition of interest as being usury. Rather, it seems that the Central Bank sees the limit (which in practice the banks have been able to circumvent by charging fees of commitment) as being anti-inflationary. Recently, when the Central Bank raised the rate payable on savings accounts from 4½ per cent. to 5 per cent., the banks suggested that it might be an appropriate time to raise or abolish the lending rate limit as well, but the authorities were adamant in their refusal.

Despite all of its regulatory measures, the Central Bank does not like being blamed as a significant contributor to the dampening of the Jordanian boom. It claims, somewhat doubtfully, that the banks were imposing their own controls on lending before it introduced its official restrictions.

Concern

The other noticeable concern of the Central Bank, outside the realm of the broad regulation of the economy, is to develop in Jordan a strong domestic banking system, not least in order to assist the country's development as a regional services and manufacturing centre.

In this context the Government has been anxious that Jordan should not become overbanked. At present there are 13 banks operating in Jordan (including the Industrial Development Bank and the Housing Bank, both of which lend at commercial rates), while a few more have been registered but are not yet in business. The biggest of these banks is the Arab Bank, followed by Grindlays (which had the advantage of having branches outside Amman before it was decided four or five years ago that foreign banks should not be allowed to establish provincial branches), and then the Jordan National Bank and the Cairo-Amman Bank, which is jointly owned, registered in Cairo and conducts the bulk of its business in Jordan.

It is not that there is an actual moratorium on the establishment of new institutions in Amman—recently both Citibank and Chase Manhattan have been allowed to open branches, and given the recent growth of the Jordanian economy the Government is clearly prepared to look at one or two applications if the names are really first class. The point is that the Government fears, reasonably enough, that an uncontrolled expansion of numbers would lead to over-intense competition, and might seriously weaken some of the middle-sized Jordanian-owned institutions. After all, the Jordanian banking system is still very small—at the end of February this year total assets came to only JD292m. ($877m.).

Ironically the biggest of the Jordanian banks, the Arab Bank, is very much bigger than the entire Jordanian domestic system. Its assets at the end of 1976 totalled JD713m. ($2.1bn.), excluding contra accounts, and according to last year's league table of the biggest banks it ranked number 272 in the world. This put it above the National Bank of Kuwait and the National Commercial Bank of Saudi Arabia but below the Banque du Caire and the National Bank of Egypt — if the official rather than the incentive rate is used in converting Egyptian pounds into dollars.

Excess

Where the Arab Bank is unchallenged in the Arab world is in its spread of branches and what it calls "sister institutions" — former branches which have been "localised" by being obliged to sell part of their shares or take on a local partner. This has already happened to the Arab Bank in Morocco and Nigeria and it is in the process of happening in Saudi Arabia.

True to the principles of its founder Abdel-Hamid Shoman, who in the late 19th century left his village north of Jerusalem to seek his fortune in America, the bank tries to invest as much of its assets as possible within the Arab world. The excess funds from its normal Arabian operations — financing trade and construction for the most part — it will try to invest in syndicated loans or bond issues arranged for major Arab borrowers in the deficit states of the region. Much of this work it will do through its merchant banking joint venture the Arab Morgan Grenfell Finance Company. Funds left over from regional lending are not channelled into Jordan but are invested on the money markets by the London and Zurich branches which handle all the other branches' overseas business.

Although the Arab Bank is now Jordanian registered—it was originally established in Jerusalem in 1930 and moved to Amman in 1948—it has over 2,000 shareholders from all the Arab countries. The biggest blocks of stock are owned by the governments of Kuwait and Saudi Arabia, which now have 50,000 JD10 shares each out of a total capital of JD11m. the government of Qatar, which has 20,000 shares, and the Shoman family. The Kuwaiti, Saudi and Qatari governments have not acquired their shares on the market—they have simply been offered shares by the Bank on the occasion of new issues.

Otherwise the bulk of the Arab Bank's shares is owned by individual Arab investors. Indeed it is impossible for non-Arabs to buy shares in the Bank. From the time before 1948, when it was feared that the Zionists in Palestine might try and wrest control of the Bank, all sales of shares have had to be approved by the Board of directors—and it is the directors' policy to keep the Bank as a purely Arab institution.

Michael Field

LEBANON

Problems behind recovery

EACH DAY NOW Riad al Solh, Beirut's commercial and banking centre, looks a bit more like its former self. This was the area of Beirut that took some of the heaviest punishment during the fighting, and when Syrian troops of the Arab peace-keeping force took control of the city last November, Riad al Solh looked a sorry spectacle. The streets were littered with shattered glass and debris, the buildings were pockmarked by shells or blackened by fire.

Now roughly one-third of the offices, which only six months ago seemed unusable, are occupied. Premises are being redecorated—some with an almost exaggerated sense of self-assurance like Chase Manhattan Bank, which even has an exhibition of Lebanese artists in its offices. Anything that can be easily repaired or restored has been taken care of. No one pretends that things are back to normal, but everyone is putting up an extaordinarily brave face.

Few doubt that, provided security can be fully established and a political solution found, Beirut can—and will—re-establish itself as the financial centre of the Middle East. The trouble is that moves towards such a solution have been very slow, much slower than hoped. This climate of continued uncertainty conditions everything and means that the restoration of business activity can only go so far. Everyone is wary as a result of the experience not merely of 18 months' fighting but also of the six months since the Arab peace-keeping force has been responsible for law and order.

The full physical and financial cost to the banking system of the civil war is going to be hard to qualify. "If confidence returns to Lebanon, then the losses can easily be absorbed. If not, then the loss will be not merely to the banking system but to the entire Lebanese service based economy," one banker remarked. This may sound obvious enough but the point has to be stressed.

Damage

As a result of the fighting, 15 major banks had their head offices badly damaged and looted. In addition, a further 30-odd branches were similarly affected. The majority of the looting occurred in January 1976 in the central banking area of Riad al Solh. Among the big banks affected were Banco di Roma, BBME, Rif Bank, Algemene Bank and the Saudi Commercial Bank. Curiously, no American bank was badly affected by looting. From the Lebanese point of view, the most encouraging aspect has been how the foreign banks, who dominate the banking scene, have striven under difficult—sometimes almost impossible—circumstances to service clients. The BBME has been singled out in this respect by many individual bankers as having done an extraordinary job in maintaining operations throughout in one form or another despite first losing its head office and then its temporary head office.

The same cannot be said of all banks. The North American banks came under considerable criticism, both from Lebanese and other foreign bankers, for deciding to close down operations completely as of March 11, 1976. This meant that clients who had accounts were unable to utilise them. The first North American bank, Chase Manhattan, reopened only on November 29. These banks are now acting quickly to remove any stigma that might be attached to their action, and it will probably soon be forgotten. But at the time it was not taken well.

If one excludes buildings, the principal short-term losses have been suffered less by the banks than the clients themselves. The quantities of cash stolen were relatively small and records were kept intact. The looters directed their attention at safety deposit boxes in the vaults, the largest hauls being taken from the Banco di Roma and BBME. Although the looting of the BBME received more publicity, many believe that greater quantities of cash and valuables disappeared from Banco di Roma which was a longer-established bank and used by some of Lebanon's wealthiest families. In view of the secrecy surrounding the contents, no figure will ever be known. Within the banking community, estimates of cash and valuables stolen from these two banks vary from £500m. to £700m.

Last year, box holders in both these banks formed committees to press claims. But no formal claim has yet been received by any bank. According to lawyers there is no real precedent for such action, and they are doubtful if there is a legal means of recovery. As for the culprits, the finger of suspicion has been pointed at the Syrian-backed commando organisation, Saiqa. But proof is never likely to be forthcoming.

The cumulative effect of the fighting and the months of insecurity has tended to consolidate the dominant position of the big banks, especially the foreign-owned ones. Of the 73 commercial banks, probably less than 15 now account for over 65 per cent. of all the banking systems assets. Deposits held with smaller banks have been removed or "thinned" and placed with the big banks. In particular, the Arab Bank, already the leading bank before the fighting, has further strengthened its position. According to its recently published balance sheet, deposits rose from £853m. in 1975 to £1,017m. in 1976. There is little doubt this has been due to trust in its conservative approach and to a widespread belief that it had the best security.

Another byproduct of the fighting has been to increase the geographical spread of banking. From being centred on Riad al Solh, banks have now spread, to remain operational, either towards Hamra in West Beirut or towards Ashrafieh in East Beirut, and Jounieh. Thus there has been an increase in the total number of branches from 314 before the fighting to 332 in February 1977, according to M. Pierre Nasrallah, Secretary General of the Bankers Association. Banks operated where they could and where their clients were—and the centre of town was impossible. Bankers play down any idea of encouraging economic separatism. Indeed, they are attempting to show the flag by reopening, albeit on a small scale, head offices again in Riad al Solh. Though the Central Bank has been notified of new branches, no formal permission has been granted. Thus technically all new branches opened as a result of fighting are "temporary."

The question of bad debts is still very problematical. The Government has yet to take a formal position on this other than to say that compensation for physical damage and losses is impossible. Instead it will consider soft loans as a means of assistance. The banks themselves are taking a pretty sanguine attitude, realising that existing credits will have to be rolled over or grace periods given. Bank vulnerability to bad debts is a source of concern but probably less than many outside Lebanon might believe.

The Prime Minister, Dr. Salim Al Hoss, stressed to the Financial Times that not only the banking system but the economy as a whole had a built-in interest to prevent such a thing happening. It is still premature to assess in detail any one bank's vulnerability because in most instances balance sheets for 1975 and 1976 have not been completed. This is being done now. Those banks most heavily involved in property and contruction are going to be hit hardest. On the other hand, property values are not depressed at all—if anything the contrary is so. One large bank has made provisions equivalent to $2m. for bad debts but feels this may even be too much. On the whole, bankers feel that there will be few major defaults, provided the political situation improves.

Continued uncertainties at the political level are now keeping the banks highly liquid—one might say abnormally liquid. There is very little lending taking place except small sums or to a few select prime clients. Although the legal reserve requirements were informally waived by the Central Bank during the fighting, the banks are placing large sums with the Central Bank. The latter now has over £1bn. of such funds. The big banks themselves are reluctant to take in new deposits in such a situation, offering as little as 3 per cent. (to retain funds, the smaller banks are offering higher rates). Basically the banks do not want to start lending until the Government reveals its hand more clearly on its reconstruction plans and how it will finance them. Meanwhile the business community awaits such plans and improved confidence before risking going to the commercial banks for credit.

To mop up this excess liquidity, the Government is contemplating the issue of Treasury Bills. According to Dr. Hoss, these would be mainly short maturities of two, three and four years. But no movement on this is likely before the Government has clarified the extents—or limits—of Arab and international aid pledged for reconstruction. Despite promises nothing has been forthcoming from individual Arab countries or Arab financial institution other than on a purely one-of emergency basis. This has mean that the Government has spli up its Budget. In early May £800m. administrative Budge was approved to cover essentia operational expenses of th Government. A reconstructio Budget — in two parts — wa passed last week.

The Government intends t use the newly constituted I man Reconstruction Board as means of determining projec and allocating funds. Howeve to ensure that the State do not kill commercial banking is proposed that once fun have been approved they a handed over to commerci banks to handle on behalf the client. In this wa bureaucracy will be limited a banking stimulated. But b cause the commercial ban have been primarily concern with short-term lending, it likely that the three-year-o Development Bank, whose shar holders include commerci banks, will play a much great role, especially where long-te finance is concerned.

Premature

Financial resources a obviously a problem for t State. But the Central Ba is being more than a little coy one suspects so that no o should think outside that t country has more money th it admits to. There is no forei debt to speak of at present, a reserves of gold and forei currency are said officially be $2.3bn., though they may b nearer $3bn. This inhere strength is reflected in t movement of the Lebane pound against the dollar. T pound is now at the same pari against the dollar as in 197 and throughout the fighting t pound held remarkably stab This strength in turn has mea that there have been fewer nc resident deposit withdrawa than many had anticipated.

The feeling is that if reco struction does get under wa the effect of a sharp rise in i port demand (and therefo extra foreign currency need the pound will weaken. On t other hand, such a moveme would be balanced by any s stanital inflow of Arab and ternational aid. In the last sort it seems that such aid w only be forthcoming in the qu tities required if projects a drawn up and key Gulf Sta like Saudi Arabia and Kuw believe that real progress being made towards a politi solution.

The elusive search for a p tical solution conditions eve thing, and though the fighti has in no way tempered Le nese ingenuity or resilience something which no other co try in the Middle East possess —the fighting equally has y to show that a political soluti is any nearer.

R.(

EGYPT

Banks in transition

BANKS of one kind or another have appeared in Egypt in such profusion in the past two years that the banking system, once simple, has now become considerably more complex. Before the open-door policy the country had four nationally-owned banks each specialising in certain sectors of the economy and two special status banks dealing in foreign currency. At present there are 69 different banks, representative offices and other financial institutions dealing in foreign currency and some undertaking a variety of other activities.

Banking, like the economy as a whole, is in a state of transition. The "banker" in Egypt today can be anything from an entrenched manager in a provincial branch of one of Egypt's big four domestic banks, doggedly following a rigid policy without scope for initiative, to a young American on friendly social terms with the nation's leaders. But in spite of the opportunities, the new banks have yet to establish fully or clearly their role in Egypt's economy.

One result in the 1975 law which revised banking activities to permit the entry of foreign banks has been that Cairo is probably now "over-banked" (without knowing exactly what scope would be allowed or what profits in prospect). The entire spectrum of foreign bankers flocked to the city. Some moved their regional representative offices to Cairo. Others set up joint ventures, or overseas branches of different kinds. As a result there are currently in Cairo 33 banks or branches of foreign banks, 25 representative offices and 11 offices specialising in finance and investment.

First in was Chase Manhattan in a joint venture. It was closely followed by Citibank with an overseas branch for hard currency business. The Chase National Bank, as the venture with the National Bank of Egypt is called, deals both in dollar and Egyptian pound accounts. The dual service became so popular that minimum deposit levels had to be raised to $5,000 to prevent overcrowding and inefficiency.

Deposits

Much of what formerly had been Egypt's black market money was drawn into the banks as merchants were offered a legal way of depositing their dollars. Citibank had to follow suit by lifting minimum deposit requirements. Others, like the National Bank of Abu Dhabi, set a trend by buying premises at unprecedentedly high cost in the no-longer elegant Suleiman Pasha Square in the city's centre, and opened its doors with a no-nonsense $25,000 minimum deposit requirement.

Although the Government in 1975 and 1976 was so short of hard currency that weary foreign creditors had to take their turn as the Central Bank eked out its inadequate supply of dollars, the Egyptian middle classes must have been emptying their mattresses of squirrelled savings to judge by the throughput in the newly available accounts.

Inevitably, in such a period of transition there have been miscalculations. The Bank of Nova Scotia, for example, lined up on the basis of over-optimistic promises and predictions by the Egyptian Government, what it hoped would be an entree into the much-discussed Free Zone area of the economy. It opened a branch—only to discover that the operation lacked *raison d'être*, partly because free zone activity was still confined to paper and plans, and partly because it could find no advantages in being outside the economy. In the summer of 1976 the bank closed its doors for one month to re-open with a flourish in the new guise of a foreign currency branch.

The league leader of the new banks was and still is Chase National. Opening in 1975, it started a second branch in Zamalek, Cairo's smart residential area in 1976 and in June 1977 one in Port Said. Chase National leads the employment field with 235 employees of whom only ten are foreign. The latest development is a move to Alexandria where a "loan production office" will soon be opened. It is hoped this will become Chase National's fourth branch early next year.

What has happened so far proves that a bank can be set up, can collect deposits and expand. But it begs the question of what role foreign banks are meant to play in the economy. Manufacturers Hanover Trust is the only Free Zone bank in Egypt. Mr. David Carlson, its manager, classifies his business into three areas: using Cairo as the booking point for the company's term loans for different countries in North Africa, offering banking facilities to Egyptian banks, and free zone businesses. Despite a slow start in Free Zone activity, Mr. Carlson comments: "we don't expect to make our fortune banking for the Free Zones but it is good business."

More directly involved in the economy Cairo Barclays International Bank and Misr Iran Development Bank see their role quite clearly as development banks. They would point to the 1975 revision of the banking law which says that foreign banks should have come in "with the purpose of mobilising credit and savings for investment." The former was able last month to abandon its low profile when it was removed from the "black-list" of the Arab Boycott of Israel.

It is a joint venture between Barclays International and Banque du Caire dealing only in foreign currency. However, observers expect Barclay's International to search again for some means of starting a local currency operation. Mr. Gavin Green, the manager, admits he would prefer to handle Egyptian currency as well and praises Chase National for having "got it right" by dealing in both hard and local money. So far Mr. Green has concentrated on small projects but is now ready to move into the low million-dollar range. The only other banker as concerned with development (a less profitable side of banking) is Dr. Fouad Sultan at Misr Iran who is firmly following the path of the development banker.

However, most of the new banks appear to be financing trade rather than development. It seems that far more deposit money is kept abroad than is channelled into loans in Egypt. But while some would accuse banks of financing undesirable consumption in a time when austerity is needed, bankers do have a defence against such charges.

For example, Mr. Wadie Hanna, from the Bank of Nova Scotia, maintains: "Because we are licensed only to deal in foreign currency, we can only be a limited part of the economy. If you are orthodox there is limited scope. This is a conscious decision of the Government which would not want foreign banks to return to the power they once had in Egypt."

Balances

The banks are making money. Of the new banks only Chase National has published its balance sheet, the first major joint venture in Egypt to do so. The 1976 results showed assets of 79m. Egyptian pounds ($114.5m.) and profits of LE1.9m. ($2.7m.) It lent L14m ($20m.). The smaller Cairo Barclay's International made half a million dollars profit, a reasonable 5 per cent return on capital. The lending picture for the latter bank is different from the Chase National's, however, with commitments for loans of $12m. of which $8m. has been disbursed. Most loans are for manufacturing projects rather than just trade. No other results are officially available but it is believed that most of the foreign banks are making money.

Foreign bankers are still assessing the relationship with the domestic system. The Central Bank, having expected that foreign banks would act as catalysts for investment, is believed to be concerned at the small size of productive investment that the banks have so far generated in the private sector. In two years the effects on local banking have been considerable. New banks have taken the cream of private sector accounts, and the best personnel from the local system. But Egypt's big four banks still retain the giant accounts of the public companies. With thousands of branches round the country they will always be the chief retail outlet for Egypt. The arrival of foreign banks has extended the credit available to the whole banking system as each bank's country limits for lending have risen steadily. They have forced rises in pay and increased competitiveness, as amendments to the banking laws enabled local banks to pay their employees more. Domestic banks are also taking profits through their share holdings in the foreign joint venture banks.

Michael Tingay

هكذا في الأصل

هكذا من الأصل

IRAQ

An unobtrusive role

AQ'S UNOBTRUSIVE role in e world financial scene belies th its financial resources and economic potential. In bruary this year its foreign change reserves, as recorded the IMF, reached the record rel of $4.9bn., placing it ahead both Libya and Kuwait in particular league table. hile its gold holdings, worth very respectable $166m., took total reserves over the $5bn. ark.

Yet though the total reserves ve risen spectacularly since 72, when they stood at 0m., the accumulation of reserves is regarded as a fairly mporary phenomenon by aq's Baathis rulers. The high ures to some extent reflect aq's difficulty in absorbing ily the greatly increased venues which have flowed om higher oil prices and the al nationalisation of the oil mpanies, but the priority mains the development of the untry. Apart from its oil serves, which are probably cond only to those of Saudi rabia, Iraq has considerable ricultural potential and a pulation of about 11m., the ghest of any major Arab oil porting country.

Iraq pursues a cautious and nservative policy in deploy- its foreign assets and phatically does not regard elf as a surplus country in e manner of Kuwait or Saudi abia. It has no long-term eign investment strategy and eps the bulk of its reserves on posit in Western money marts with little if anything in vernment securities. The eferred currencies are rerted to be dollars, D-Marks d Swiss francs, and the bulk the reserves is handled by e Central Bank, which tends deal with its counterparts other states rather than with mmercial organisations.

Apart from a portion of q's foreign assets which at y time are, for technical sons, under the control of Ministry of Petroleum, the t is handled by the State ed Rafidain Bank, whose y branch outside the Middle t is in London. The bank with a considerable ber of correspondents in don and other financial tres and is a force in the odollar market; it also rates through the Union des ques Arabes et Françaises, hich it has a 8.3 per cent. e and which is heavily lved in the Eurodollar ket.

part from regarding too nsive an involvement in the tern financial system as a rsion from the job in hand, has strong ideological conments which prevent it from cering itself with highly lic actions such as purchasstakes in western comes. In the Arab world, how- Iraq's attitude is different: wing intensely in the Arab y, it sees economic and financial co-operation as a vital step to achieving political unification.

Iraq has been prominent in the discussions of the Council of Arab Economic Unity and played a part in the establishment of the Arab Monetary Fund, based in Abu Dhabi. Its effort to improve relations with its neighbours in the Gulf early this year took the form of sending a high level delegation to the Arab states whose starting point in discussion was economic co-operation. Iraq has a stake in the OAPEC dry dock facility at Bahrain and is involved in the Arab Petroleum Investment Corporation based in Tripoli. It is naturally a member of the Arab Fund for Economic and Social Development (based in Kuwait) and contributes to Arab facilities to help developing countries hit by the rise in the oil price. It is believed to have disbursed about $500m. in various forms of aid last year, both bilateral and multilateral.

Founders

Though it was not a founder member, Iraq is the fourth largest shareholder in the Arab Investment Company, which was set up in 1974 at the invitation of the Council of Arab Economic Unity to develop the natural resources of Arab states with a view to achieving a commercial return.

Iraq says it is not opposed to non-Arab participation in joint venture projects in the country's limited private sector, but what small foreign investment there is in Iraq (mostly confined to the tourism industry and small-scale manufacturing) comes from the Arab world, predominantly Kuwait and the other Gulf states. But it is claimed that the size of the relatively efficient private sector's own contribution to GNP in Iraq will decline in relative terms partly because of restrictions on the role of the sector itself but more because of the expansion predicted for the public sector as the State's development programme gets underway. In 1974 the private sector contributed 31 per cent. of GDP; this is predicted to fall to 15 per cent. by the end of the decade.

Iraq's public sector development programme has been confounded since the 1973-74 oil price rises by bottlenecks and inefficiencies, which prevented it from absorbing all its available revenues. At the same time long-term planning was further distorted by considerable fluctuations in the level of oil output. Only now, following a searching reappraisal of economic strategy, has a policy which looks reasonably durable been evolved, and although Iraq is in the third year of the 1976-80 plan period, the Five Year Plan has still not been published and only the barest details of the current year's investment programme have emerged. This is principally to avoid giving information which could be of use to agents and partly to allow Government offices to put contracts out to tender at an orderly pace.

Iraq's oil revenue, which makes up more than 98 per cent. of export earnings, rose from $6.8bn. in 1974 to $8.3bn. in 1975, but imports virtually doubled during this period from $2.3bn. to $4.1bn. This reflected greatly increased development spending and caused a drop in foreign reserves, which had reached $3.3bn. in 1974 but fell to $2.7bn. by the end of 1975. In early 1975 oil revenues fell as the world recession and pricing problems cut output; price cutting enabled revenue to be restored, but the simultaneous downpayments on several projects led the Government to take the precaution of arranging a $500m. facility managed by Lloyds Bank (the facility lapsed on December 1, 1976 after $200m. had been drawn).

Although oil output rose later in the year, it dropped sharply in early 1976 because of a dispute with Syria over the transit fees on the pipeline to Banias on the Mediterranean, which culminated in the closure of this outlet for Iraqi crude in April. Simultaneously there were problems in selling oil from the southern oilfields and a fire at Basrah. Output fell to about 1.5m. b/d in February from a level of about 2.4m. b/d a few months before. Though the improvement in the oil market and the coming into operation of the strategic pipeline taking oil from the north of Iraq to the Gulf allowed output to rise later in the year, making an average for 1976 of 2.28 b/d, the horrendous build-up of congestion forced the Government to cut down on development spending and slow the rate at which contracts were being awarded.

Congestion was most spectacular at the ports, with a waiting time of 90 days and an 85 per cent. congestion surcharge at Basrah, and the effects spread throughout the economy, with crippling shortages of vital inputs. At one point the State was exporting cement to meet long-standing commitments and at the same time importing for its own needs at four times the export price. But as the economy began to slow down imports for the year fell marginally below the 1975 level, while increased oil earnings (taking total exports up to $8.8bn.) allowed the Government to increase its reserves by nearly $2bn. between the end of 1975 and the end of 1976 (when they stood at $4.6bn.). There was a further rise in the first two months of 1977.

By early this year the worst manifestations of congestion were disappearing. The congestion surcharge at Basrah was lifted, though some observers believe that another import boom will bring it back since port facilities are still inadequate. During the autumn and winter the Government staged a series of televised symposia aimed at identifying the mistakes which had been made in economic planning and project management over the past two years and punishing some of those who were considered responsible. The objective was to try to imbue Government officials and plant managers with a greater sense of commercial orientation, and to try to make the planning system work more effectively with better exchange of information. But there was no intention of changing the fundamentals of the system itself: "We are very clear, very stubborn on this," says Mr. Fawz al Kaisi, the Finance Minister.

Solution

With the worst of the bottlenecks solved and a new, more managerial approach to the economy having been defined, Iraq is now ready to embark on a new, if less hectic, phase of development. The investment programme for this year envisages spending $7.9bn., compared with an allocation of $5bn. in 1976. The largest single portion of this sum—$3.2bn.—is earmarked for industry, but the allocation for agriculture has increased more sharply, by 45 per cent., to $1.3bn., representing the Government's concern that in the past there has been too much emphasis on industrial development while Iraq has become increasingly dependent on imported food. The bare figures, however, reveal considerably less about the economy than appears at first sight; the actual projects which are due to go out to tender during the year have not been itemised, while the estimates of implementation rates in the past vary widely, from 40 to 70 per cent.

According to Government officials in Baghdad the immediate priority this year is to complete projects set in train last year and to concentrate on improving the infrastructure. Broadly the Government's strategy is to develop industry to use the country's natural resources of oil and gas, while enabling agriculture to increase its low output using principally the irrigated land of the Tigris and Euphrates river systems. Several large-scale industrial projects are underway, including a $1bn. petrochemicals complex at Basrah being built by West German and U.S. concerns, while the Japanese company Mitsubishi is building a $570m. urea plant at Khor al-Zubair and an 800MW power station at Hartha, making use of two credits of $1bn. each arranged between Japan and Iraq in 1974 and in January this year.

The bulk of the credit has not so far been taken up, despite the existence of projects in which Japan is very interested, because the Government has awarded few contracts for very large-scale projects this year. This is partly because of renewed uncertainty over the State's oil revenues in the wake of the pricing split in Opec at Doha last December. Oil output has been running at below the 1976 average, with daily output of 1.85m. b/d recorded in April, and a lower figure of 1.7m. b/d in January, the first month after the price rise and the end of the pre-Doha stockpiling by consumers. Government officials are believed to be working up projects which can go out to tender at a later date, and the overall plan which will cover the remaining years of the decade has been approved in outline by the State Development Board, but details have yet to be finalised and it is uncertain how much information will be included when it is finally published, probably within a few months.

Although Iraq's present reserve figures look impressive they are likely to be overshadowed by the size of the ambitious spending programmes which it is almost certain to be embarking on in the next few years. It is therefore imperative, as the Government realises, that the principal hindrances to development should be overcome. One is the very serious shortage of manpower: while there are probably sufficient administrators, there are crippling shortages of professionals such as engineers, while skilled and semi-skilled workers such as truck drivers are in short supply. Attempts to lure back Iraqi professionals living abroad have had only modest success, while the policy of allowing free immigration from other Arab countries has yet to produce a startling improvement in the manpower situation.

The other constraint on successful development is the somewhat unsatisfactory working of the Baathist Government's adopted economic system. Certainly the regime is now deeply aware that the planning system has so far failed to produce the necessary coordination of inputs essential to effective economic progress; it also knows of the truly lamentable output achieved from many State organisations, especially in agriculture. Whether it will be able to make the system work better in future remains to be seen.

Fortunately for Iraq, a continued if for the moment somewhat erratic source of revenue is assured: oil production capacity is due to rise from its present level of 2.5m. b/d to about 4m. b/d by 1982, and the 981 km. pipeline to Dortyol on the Turkish Mediterranean coast, now coming into operation, gives it a new outlet nearer the European market which should be free of political risks, unlike the pipeline to Banias in Syria. Furthermore, Iraq's reserves of oil are estimated at more than 85bn. barrels, which makes it second only to Saudi Arabia among Middle East oil producers. This ensures that Iraq has the commodity it really needs for economic development: time.

James Buxton

OMAN

Economy slows down

BETWEEN bers of Oman's commer- banking community is be- increasingly testy, as tionary trends in the omy drive deposit interest up and lending rates down, ing sound new business rtunities harder to come by. year these pressures were dy apparent. The gross ings of banks fell to a sixth perating revenues from a ter at the end of 1975. ough the interest rate ges recorded in December not of any great magni- they indicate that unoffi- reports of a substantial g in the gap since January un at least a modicum of

tistics on the banking sys- as a whole for 1976 do not reflect the slowdown in the my as credit and the y supply both rose by 44 cent. In its latest annual t, the Central Bank of tentatively admits that expansion was out of line conditions at the time and, e light of credit granted commercial banks having st reached the ceiling of 85 cent. of deposits by the end e year, suggests: "vigi- on credit movements s to be called for in future, is so that no untoward opment in the economy ake place."

of the reasons for the in- e in borrowings was that n aid to the Government RO29m. ($83m.) short of et expectations, contribut- a net deficit of RO75.7m. than double the 1975 according to the published final accounts. Nearly 40 per cent. of this was financed locally—proportionately less than in previous years, while the overall foreign debt amounted to RO154m. at the year end, some 34 per cent. of oil revenues.

As about a third was formed by loans from "friendly foreign countries," carrying low or nil interest rates with long repayment periods, debt servicing was said to present no major problem. Nevertheless, the lack of liquidity in the public sector has recently been highlighted by contractors complaining that the Government is taking six months to pay its bills. Administrative delays have played a big part in this respect.

Recession

At the moment it is difficult to predict the likely scale of the recession facing Oman. The five year development plan for 1976-80 calls for a growth averaging only about 2.6 per cent. a year. Even this modest target is feared by observers to be over-optimistic. Oil production, which provides 95 per cent. of government revenue and represents over 60 per cent. of the gross domestic product, is now forecast to fall significantly further than the plan estimates. Unless more generous grants and soft loans from other Arab states are forthcoming to compensate for the decrease in domestically generated income, expenditure will have to be pruned back further than outlined in the plan to avoid a repeat of the 1974 cash flow crisis.

Last year government expenditure increased to RO581m. from RO495m. in 1975, the civil recurrent bill going up by over 40 per cent. to RO95m. and defence and national security remaining at near the 50 per cent. mark with RO288.3m. Recurrent spending, resulting from the massive capital investment of the past few years, is being strictly monitored by the finance authorities and ministries have been requested to raise their disbursements in this area by no more than 5 per cent. this year. But it is doubtful how much the defence budget can be reduced, despite the Communist-backed rebel war in the southern region of Dhofar having ended well over 12 months ago.

The Government has to pay for expensive equipment on order—including 12 Jaguar strike aircraft and the Rapier missile system. If the present recruitment advertising campaign for armed forces personnel is any indication, recurrent expenditure for defence will not decline.

Meanwhile, the two sectors that together have absorbed the bulk of privately raised finance since development began in 1970 with the accession of Sultan Qaboos — construction and trade—have suffered a decline in activity. The value of non-governmental imports (now classified to exclude defence only) fell for the first time last year and the property market is readily acknowledged to be in dire straits. The number of residential units awaiting occupants in the Muscat area is said to run into three or even four figures. Most banks claim to be making no advances at all for real estate development, some of them having a number of bad debts in their portfolios. However, measurement of funds allocated for this purpose is complicated by the fact that property has been financed by personal loans, overdrafts and also money borrowed ostensibly for trade.

Moratorium

One of the effects of the present economic situation is that the Central Bank has imposed a moratorium on admission of more commercial banks to Oman, while encouraging a wider branch network throughout the country. Since the British Bank of the Middle East's monopoly was broken in 1968, the community has grown characteristically fast. To date 20 banks are licensed to operate, of which two have yet to open and six are locally incorporated.

For many years the BBME was the Government's banker. During the two years of its existence, the Central Bank has been gradually taking over this role. It started discounting direct oil sales export bills in August last year, is guaranteeing, negotiating and managing some external loans and more than doubled its loans to government from RO7m. in 1974 to almost RO18.5m. last year.

Since replacing the Oman Currency Board in April 1975, the Central Bank's track record has been impressive. In addition to stepping up its programme of commercial bank examinations and increasing the flow of statistical data, it is trying to establish effective foreign exchange and money market operations. The central bank is also considering the introduction of a central record of risks and a deposit insurance scheme.

By altering the lending ratio in late 1975, credit extended by commercial banks was curbed to RO146m. in February and then, following indications of a recession, the ratio was relaxed to 85 per cent. and loans rose to a record RO213m. by December. As the budget was published late in the year, demand for finance was concentrated into the last few months—which underlines how the Government's spending is paramount in providing an impetus to economic activity. Almost 80 per cent. of investment comes from the public sector. Since the annual increase fell dramatically from 21 per cent. in 1975 to only 3 per cent. in 1976, prospects for growth in the short-term at least do not appear bright.

One exemplary feature of banking in Oman is the relationship between the monetary authority and commercial banks. Meetings are held periodically to allow the two sides to exchange views. The degree of co-operation achieved led one senior banker from overseas to describe it as unrivalled anywhere in the Middle East.

Barbara Cassassus

ALGERIA

Accent on industrial expansion

ALGERIA IS determined to become a significant industrial power of the Arab and Third Worlds. To achieve its ambitions it has strictly limited growth of private consumption and poured money into capital investment. Between 1970 and 1974 investment grew at more than twice the speed of consumption and the country now enjoys one of the highest ratios of capital formation to GDP in the world rising from 40.2 per cent in 1972, to 45.7 per cent. in 1974 and an estimated 50.8 per cent. last year.

After the increase in the price of oil in the winter of 1973 the aggregate investment for the Second Development Plan (1974-1977) was doubled to 110bn. Algerian dinars ($28bn.), three times the figure for the First Development Plan. The spending on capital goods was hit by the rise in the cost of imported goods not least those imported from its main trading partner, France.

Both the size of the investment target and the high ratio of capital formation are an indication of the Government's commitment to growth. The country's GDP is officially reckoned to have risen at an annual average rate of nearly 25 per cent. in current prices in the past six—or seven years. Expenditure has been in line with the requirements as they have been laid down in the two plans. But, typically of Algeria, the Government allowed an interval of a year before embarking upon the second to give itself a period in which to survey the progress made and difficulties encountered.

For a few years current account surpluses were the order of the day, but in 1975 a budget deficit of AD6.6bn. was incurred as a result of a combination of factors—a fall in oil sales because of the recession in the West, higher prices paid for imported capital goods and the resulting need to borrow abroad to bridge the gap.

The decision to press ahead regardless was taken after much thought. Having made it they can be expected to stick to the policy of maximum development possible. Whilst its level of domestic savings has been extraordinarily high, Algeria has also, of course, been one of the heaviest borrowers on the Euromarkets as well as relying to a lesser degree on funds raised in the Arab world directly and loans from the World Bank.

Algeria has invested in a wide range of capital goods and hopes to be able to meet many of its requirements in the years to come: textiles, fertilisers, tractor and lorries, the list is endless but the constraints are clear: a massive effort has to be made where infrastructure is concerned and water is a major difficulty, especially when one moves inland. This is to some degree hampering efforts to site industry inland, a policy the Government felt was necessary if the country is not to become top heavy with most of its population and activities centered along a narrow coast band.

Gas

Most important of all developments taking place are those concerning LNG. Some liquefying plants are functioning but attention centres on the major LNG1 plant at Arzew in Western Algeria due for completion at the end of the year. It is 18 months late because of the change in contractors which took place last year: Chemico was replaced by Bechtel. Cost overruns amount to $650m., not entirely surprising in view of the highly complex technology involved and the size of the project. A number of other liquefying plants are planned and contracts have been signed by the state oil corporation Sonatrach with a string of U.S. and European buyers. Much of the future of these contracts hangs on the Federal Power Commission (FPC) in Washington.

Some years ago it gave unconditional approval to a contract signed by El Paso to import gas from LNG1. But last April it approved a contract signed by another company Trunkline only on conditions which, if maintained in the second judgement could lead to the cancellation of the other contracts signed with U.S. companies. As they are due to buy most of the gas the country will be producing by 1985, the outcome of the second FPC hearing is eagerly awaited.

However many hurdles it has to encounter, Algeria has stuck to the same development priorities which appear very sound: develop natural gas and oil resources and manufacturing industry. The strategy is very capital intensive, thus tight control on external borrowing is required. Recent figures on the country's foreign debt structure suggests it is very sound although a number of imponderables could upset projections of debt service: gas projects unduly late in coming on stream, bad cereal crops necessitating large imports, and so on.

Expressions of concern about Algeria's debt have been rife in the past 12 months. Figures released by the Algerian authorities last March, however, suggest that there is much less justification for doubts than pessimists feared. More recent data from the Bank of International Settlements on debts of Less Developed Countries show that the maturity structure of the country's debt was one of the most favourable in the Third World.

The Algerian set of figures released in March projects the debt service ratio peaking in 1982 at 24.9 per cent. compared with 14.6 per cent. last year and an estimated 17.8 per cent. in 1978 and 1980. It could be reduced if gas exports perform better than expected. Conversely the external cash flow could be vulnerable to a mismatching of expenditure and revenue although last year's successful cutback on the import of non-essential capital goods would seem to indicate the authorities have matters well under control.

The figures for the total contracted external public debt (which is very comprehensive in the case of a country where foreign contracted debt is all for state enterprises and where the authorities have virtually no recourse to short term borrowing) stood at an estimated $10.5bn. at the end of 1976. Total disbursed debt was $6.6bn. which represented 40 per cent. of GDP.

Algeria has not contracted any major loans in the Euromarkets in the past year but is now seeking to raise $100m. for CNAN, the state shipping company. The proceeds of this loan are earmarked for the down-payment for some tankers which CNAN would like to order to add to its existing fleet. Some banks have been reluctant to participate as they feel Algeria should concentrate on completing its LNG1 plant and not divert scarce foreign borrowing capacity into more ships.

Others feel that it makes sense to order new ships even if the liquefying plants are late. One matter, however, on which all are agreed is the need to help the state oil company Sonatrach meet some of the costs of the $650m. overrun on LNG1. Sonatrach is currently negotiating a loan which is expected to amount to $200m. at least.

It will be of great interest to see what spread Algeria pays on these loans. In recent months some banks have been wondering whether the country should pay more than the 1⅝ per cent over the London interbank offered rate it has enjoyed up to now. Algeria has strongly resisted such suggestions and the combined forces of a downward trend in spread in the market and the good economic data which has come out on the country's economy in recent weeks should prove very helpful to the Algerians in holding to the 1⅝ per cent. line. Maturities will also be watched as it is not clear whether five- or seven-year money will be obtained.

A further interesting development is provided by the fact that a Eurodollar bond of $20m.-$25m. for the Banque Extérieure d'Algérie is being considered. Indicated maturity would be 5-6 years with a coupon of 9 per cent. This would be the first dollar denominated bond for Algeria.

Algeria does pose other problems. First, there has been the shortage of statistical data available, a shortcoming which the Algerian authorities are conscious of an dhave recently made a bi geffort to remedy. Bankers would like to know more, however, especially concerning the cash flow projections of Sonatrach. It is not easy to overcome the difficulties being experienced quickly as the Government is the first to admit. Shortage of skilled personnel is still acute.

More important is the way the market "seizes up" on Algeria at times. This results from Algeria's insistence that companies tendering for projects in the country must also find the finance. Most of this comes in the form of cheap export loans but many companies still have to turn to their banks which in turn freeze lines of credit. Tenders can take months to be attributed Meanwhile, funds are earmarked for Algeria which cannot be used say as a participation in a medium term credit.

On the domestic front, tighter controls over public spending at the level of both central and local administration is needed. One of the major tasks President Boumedienne has set the newly appointed Government and the recently elected National Assembly is one of improving the way in which the whole of the public sector is run in an attempt to stamp out duplication and at least some of the rivalries endemic amongst state-owned companies.

Algeria's own banking system is essentially orientated towards the financing of public enterprises. Loans from the Treasury account for most of the supplementary finance not provided for directly by the banks.

State enterprises transfer most of their cash flows directly to the Treasury. An exception is made of their working funds which means state enterprises have little choice if none at all in the way they expand their own finance but the system ensures that the government has very tight control over what is happening.

There are three commercial banks, the Credit Populaire d'Algerie which specialis lending to small and med size enterprises which flou in some sectors such as text and the hotel business. Th may not be all that many ists from abroad but Alger travel a lot in their country and the shortage housing means some of the foreigners working in the c tries effectively live in hote

Banque Extérieure d'Alg and Banque Nationale d'Alg enjoy a monopoly in the fi ing of the agricultural se and most of the new indust from chemicals through mechanical industries and cluding such as the state ping company CNAN on w the authorities have lavi much attention, turning it one of the most comprehe shipping companies in the World. In addition to three banks the Banque Al enne de Développement devotes itself to long term ance and the Caisse Nati d'Epargne et de Prevoy which extends loans to the ing sector must be mentio

Francis Gh

QATAR

Banking made simple

A FEW WEEKS ago the Qatar Monetary Agency, the state's central banking authority, moved from extremely modest premises, comprising only two or three rooms, to the smartest of the new buildings lining Doha's corniche, where it will eventually occupy a full two stories. From its new headquarters it is intended that the Agency will expand steadily the scale and scope of its activities, not least in improving the quality of the notes in circulation, though the authorities stress that they hope to avoid instituting banking regulations just for the sake of appearing to be modern and sophisticated, as has sometimes happened in other Gulf states.

To date banking in Qatar has been totally unregulated, except insofar as the government has not granted licences for new banks in recent years. The QMA's role has been confined to managing the note issue and investing the foreign currency which backs it (to the tune of rather more than 100 per cent.), and collecting statistics—though the material it demands from the banks is of only the most basic sort.

The passive rule of the QMA so far has not been inappropriate, because Qatar has the simplest financial system of any Arabian Peninsula oil producer. It has no offshore banking, no international lending in its own currency, no money market or discountable securities (some of the foreign banks deal on the Bahrain market through their branches or OBUs there), no capital market in the form of a local bond market or stock exchange, no investment companies or investment banks, and not even a central clearing house—cheques are sent between the banks by messenger.

The lack of complexity in the system is matched by a lack of sophistication on the part of the banks' Qatari customers. There are still in Qatar a fair number of customers who will have nothing to do with the payment of interest—though the more worldly of these may suggest either that they be given a preferential rate on their foreign currency purchases when they go abroad in lieu of their accepting interest, or that if their credit and debit balances are likely to even out over the course of a year interest should be left out of the picture altogether.

Cash

At the same time Qataris remain very cash-minded. The average cash withdrawal from a bank is still about $200, and withdrawals of QR1m. ($250,000) are not unheard of—particularly on the part of sheikhs wanting to pay their servants and dependants, or contractors paying their labour force. Qataris also prefer to travel with cash rather than travellers cheques — partly because cash seems more real to them and partly, so bank managers believe, because they cannot be bothered to sign vast numbers of cheques. For this reason in the summer of 1977 the banks are issuing travellers cheques in higher, less troublesome, denominations.

The cash preference further manifests itself in the huge amount of currency in circulation (which even after making allowance for notes held by the banks shows some $400 outstanding for every man, woman and child—Qatari and non-Qatari—in the state) and in the large number of QR100 ($25) notes in circulation. At the end of last year these were almost as numerous as QR1 notes and a great deal more numerous than any other denomination. Clearly there are still considerable sums being hoarded by Qataris, though it is thought that the amounts must have declined considerably since the old Qatar-Dubai riyal was replaced by the Qatar riyal and the UAE dirham in 1974 and the public was given only a limited time to replace its old notes with new.

Before 1974 the hoarding of notes was seen as one of the major causes of the extraordinarily small total of deposits in the Qatari banking system—only some $180m. at the end of 1973—which despite the benefits of more than 20 years of oil revenues was equivalent to less than half of the deposits of the smallest of the Kuwaiti banks at that time. Other contributory factors were the inordinately large sums which before the accession of Shaikh Khalifa were paid to members of the ruling family (to be invested abroad or spent) and the imbalance in interest rates between Qatar and Dubai, which led to massive physical transfers of Qatar-Dubai riyal notes. In fact this movement took place on such a scale that the old Joint Currency Board used to find itself issuing most of its notes in Qatar but withdrawing almost all in Dubai.

At one stage during 1974 the maintenance of such big Qatari deposits outside the state almost caused a minor liquidity crisis, as demand for credit rose with the private sector's anticipation of higher government spending in the wake of the oil price rises. But since then the situation has changed. The improvement in Qatar interest rates (now running at up to 6½ per cent. for time deposits) relative to world levels, and the property boom which began in the middle of 1975 have together induced depositors to repatriate their funds. Also as from mid-1975, when some of the new big projects started to be implemented, funds have come into the banking system through the government making 10 to 20 per cent. advance payments to contractors.

The effect of these developments has been to increase the Qatari deposits in the banking system to some $600m. (of which only a fraction were government deposits) at the end of last year, and to increase the total assets of the banks at the same time to roughly $1bn. (excluding contra accounts). Meanwhile the banks' foreign assets have grown to $375m. It is true that in the absence of there being any money market or discountable instruments within Qatar the banks have to keep much of their liquidity outside the state, but for the most part the foreign assets represent an unlendable surplus.

The increase in the banks' assets, however, has not been accompanied by any significant expansion in the numbers of banks in the state over the past four years—although the government has recently allowed the establishment of a second Qatari bank, the Commercial Bank of Qatar. The other eleven banks in the state are: the Qatar National Bank (which handles all of the government's accounts and probably deals with some 30 or 40 per cent. of all banking business done in the state), the Chartered Bank and the British Bank of the Middle East (which are the second and third largest institutions operating), Grindlays, Citibank, Arab Bank, United Bank of Pakistan, Bank of Oman, Al Mashreq, Paribas, and Bank Saderat of Iran. All of the foreign banks are restricted to two branches each.

Apart from being the government's bank and the biggest bank in the state, the Qatar National Bank has been notable as the institution which provided most of the bank lending behind the 1975-76 property boom—until it was advised by the government in the autumn of last year that it should not make further advances for land purchases. But QNB lending for construction purposes continues. With the approval of a special board, borrowers seeking funds for building may get cheap loans (at about 4 per cent.) from QNB. The reasoning of the government (which has a big shareholding in the bank) is that if QNB is holding large sums of government cash on current account, it can afford to make cheap loans for special purposes.

For the most part the foreign banks in Qatar lend to finance imports, though in the past year or so they have found themselves called upon to advance increasing sums to finance the day to day operating requirements of international contractors, and to issue bid bonds and performance bonds on behalf of these companies. Even so none of the banks in Qatar could be called aggressive lenders.

Exception

The one exception to the general conservatism and lack of sophistication among Qatari financial institutions is the Qatar National Insurance Company. The company started to grow shortly after the accession of Shaikh Khalifa in 1972, when the government decided that it should receive all state insurance business (just as the QNB handles all government accounts), and it is now rated on a par in the Arabian Peninsula with the three leading Kuwaiti insurance companies—Kuwait Insurance, Al Ahleia Insurance and Gulf Insurance.

With the exception of the oil industry, the Gulf Hotel an biggest construction cont all risks in Qatar now fall the scope of the Qatar Na Insurance Company's rei ance treaties—a testimony t company's assessors, whose reputation has given the pany bigger automatic rei ance facilities than the si the company would nor merit.

For work which falls o the scope of the reinsu treaties, QNI is now shari risks with other Gulf and M Eastern insurers—notabl Kuwait and Egypt—rather resorting automatically to don as it used to do in the The advantage, it finds, is business introduced to Arab companies will be re cated, whereas with the L market the flow of busin very much one way.

Consequently, as the ca of the insurance market i Gulf expands, the role of L is being reduced mainly t of a reinsurer. If and whe Saudis introduce an insu law—one is now being d by the government and Islamic jurists, who believ insurance represents an at to defy the will of God— will inevitably be a further sive expansion of business region and the Arabian P sula insurance market will come into its own.

BY JOE ROGALY

Grunwick and the constitution


Ashley Ashwood and Terry Kirk

The "law" loses a little of its traditional dignity at the Grunwick factory gates (left): Yesterday, Mr. George Ward, managing director of Grunwick, arriving at the High Court (right) with Mr. John Gorst, MP.

THE Grunwick dispute, which could fade away when August comes, or rock the Government (the Devil alone known which) is peculiarly British. It is the natural consequence of a national reluctance to adopt a written constitution, at a time when class conflict is no longer easy to contain by means of unwritten codes that have become anachronistic. A great many issues have been left unsettled, in the belief that good sense and good will will in the end prevail; what does not seem to have been perceived is that this complacent attitude is no longer sufficient in a country in which deference and obedience have ceased to be dominating characteristics of the governed.

This fundamental weakness in the way in which we arrange our affairs may be of more importance than the several great questions of right and wrong that have become associated with the dispute. Of course it matters whether people have a right to join a trade union, or to go on strike, or to keep out of a trade union, or to refuse to deliver the mail, or to insist on receiving it — but all these vital issues are of less long-term significance than the one that overrides them all: are the mechanisms of our democracy in tune with the aspirations of our society?

To understand why they are not, and why the disharmony is becoming more threatening with every year that passes, it is necessary to reflect for only a moment on how the present dispute might turn so very sour that no one in the Government wants to think about what they might have to do if it does.

This possibility exists because, on the one side, the trade union supporters of the dismissed and striking workers at Grunwick Processing Laboratories have declined to call off the mass picketing while the case goes through both the High Court and a special tribunal, while on the other side, Mr. George Ward, the managing director of Grunwick, has declined to give an undertaking that he will accept whatever the special tribunal recommends.

The case for continuing the mass picketing was put by Mr. Dennis Skinner, the Labour MP for Bolsover, in the Commons last Thursday. The Court of Inquiry, which begins its work under Lord Justice Scarman today, was brought about, said Mr. Skinner, "as a result not of a few pickets being on the picket line for 30-odd weeks, with few people taking any notice, but because of the immense union solidarity, shown particularly by the Post Office workers at Cricklewood. . . ."

Logical

Mr. Skinner is only partly correct: it is arguable that the immediate reason for the appointment of the Court of Inquiry was a run of a week's television news films showing struggles between the police and the pickets, with injured policemen predominating — and the Government's alarm at the political consequences mounting with every day that passed.

Yet the further deduction of the MP for Bolsover is not without logic. He said: "Because such inquiries are shaped by the environment of the times, as was the case with the Wilberforce Inquiry into the 1972 miners' dispute, when the dispute continued and helped to shape the minds of those sitting on the inquiry . . . it is very important that the blacking and the picketing continue, in order that those who decide the issue decide it in that kind of environment and not when the dispute has been called off."

Whatever may be said about this statement, it cannot be described as an acceptance that the existing processes of law and peaceful private association under the law are in themselves sufficient. This must be recognised: many people in the trade unions and the Labour Party, including a great number who disagree with Mr. Skinner about almost everything else, will follow his logic at least three-quarters of the way on this one.

The response of a working democracy to such an attitude might be to change the law, or it might be to enforce it—but that is not our British way. Fudge has worked in the past, and fudge is what seems to have been called for now. It has its methods: you call the parties to a Minister's office and knock their heads together and they are so flattered by the presence of a member of the Government that they accept a carefully-contrived compromise, or the less powerful of the combatants gives in, with as much face saved on everyone's part as possible.

Failing that, we resort to official inquiries. Once these were quite enough. An inquiry under a jurist like Lord Justice Scarman, who is the most distinguished one we have, would establish the facts to everyone's satisfaction, hand out raps on the knuckles and praise for all parties, and present a solution that half-victors and half-vanquished alike would accept. He did it over the dispute at Red Lion Square; it is, of course, what the Government hopes for from the present inquiry.

He may pull it off again; he can certainly be relied upon to establish the facts, and it is highly likely that his exposition of the principles involved will be, as they say, masterly. But the recommendations he makes will not be legalling binding. If either side chooses to ignore them, the Government can do nothing about it.

And this, of course, is the awful prospect. It could be that this time the old British fudge will fail; the question is — what happens then? It is a question that will not go away even if the present dispute is somewhat "solved" because it is inherent in our social structure and our lack of a propensity to write down rules and stick by them that something of the kind will happen again.

Everyone on the side the most outraged of the trade unionists see as ranged against them — judges, the Government, the employers as a whole, the "media" — seems to be aware of this possibility. In the High Court yesterday, the Lord Chief Justice, Lord Widgery, spoke more than once of the exceptional circumstances surrounding the essentially mundane case before him, which has to do with whether the Advisory, Conciliation and Arbitration Service has followed legally acceptable procedures in its handling of a trade union claim for recognition by Grunwick.

Speedy

He expressed a desire for the counsel involved to work as quickly as possible, and indicated that Lord Justice Scarman will more or less mark time this week, while the ACAS case proceeds, so that when he gets to the meat of his general inquiry he can "follow in our dust." On the Scarman side of the Board, everyone associated with the proceedings anticipates a speedy hearing, and a quick report.

Yet the protagonists might not play the game that way. The miners' mass picket, due next Monday, could result in more dust being created in the streets than even the most assiduous Lord Chief Justice Widgery could encourage in his court; again, the loser in the present ACAS case might appeal, other actions might be started, and the scope of the Scarman inquiry could be further inhibited—not least by the inability of even the most passionate witnesses to be in more than one place at one time.

Those who oppose the trade unionists' view of the matter, and insist that it is the rule of law alone that is at stake, have to accept that as our laws stand this leaves many questions begged. The present state of the law on whether postmen are legally barred from "blacking" mail in sympathy with the Grunwick strikers has yet to be tested, the Attorney-General willing, although the consensus is that such actions are not legal. Yet will the law on Post Office strikes last much longer?

Again, the law on picketing is deliberately vague, partly because few people believe that a serious change could be manoeuvred through Parliament, and partly because it is thought that decisions on keeping the peace are tactical and best left to the police on the spot. The rules governing ACAS and trade union recognition are being tested in the present case before the High Court; in other actions ACAS has more or less been left to make up its rules as it goes along. The arguments about union recognition, and the closed shop, could in theory be settled by law, if we were accustomed to doing things in that manner, and if the law could be enforced — but the British constitution lacks that degree of certainty.

To analyse the affair in this way is not to duck the hard, immediate issues. The right to join a trade union is surely part of our heritage; the right not to join should be. The right of pickets to persuade workers, peacefully, to join their cause, is not disputed by many people; the right to decline to hear the pickets' case—to say, "no thanks, I do not want you to get in the bus" is surely of equivalent value. The extent to which any or all of these rights has been challenged by the events at Grunwick will be better known when we have a full and detailed account of precisely what happened (so much is still in dispute), but, even then, the fatal flaw in our constitution—if the collection of law, precedent, understandings, and myths we are ruled by can be so called—will remain. The urgent need is to look for something better.

Letters to the Editor

Anomalies in an Act

From Mr. J. Norfolk.

Sir,—Two years elapsed before conflicting Lands Tribunal decisions concerning the Leasehold Reform Act, 1967, made an amendment essential. It was published as Section 82 of the Housing Act, 1969, and eliminated the concept known as the "tenants bid."

This presupposed that a leaseholder will always outbid an investor if the freehold interest of his house is put up for sale. Before the Leasehold Reform Act was published this was undoubtedly true, but after the Act was published it was no longer in the interest of the leaseholder to enter into competitive bidding. In fact because the investment value of a freehold interest has depreciated, because the given legal right to acquire the land and property on it has virtually ceased to exist, changes in ownership might well establish a low market value for the freehold interest to the detriment of the tenant when he decides to claim his freehold.

A new amendment in the Leasehold Reform Act contained in the Housing Act, 1974, Section 8, now enfranchises houses of higher rateable values than the limits imposed by the original Act. But for some inexplicable reason, the 1969 Amendment, which abolished the "tenants bid," does not seem to apply to the new amendment. Another paragraph in the new amendment asks valuers to value as if the Act does not exist. Could anything be more absurd when it manifestly does exist and in a few years there will be no normal market transactions in comparables to which valuers can refer.

A recent Lands Tribunal case (LR/106/75) illustrates the point. The house concerned had rateable value above the limit of the 1967 Act but within the limit of the 1974 Amendment. The ground rent was £17.50 per annum and 59 years of the lease remained unexpired. The Tribunal decided that the investment value was £1,000 but the added value of the "tenants bid," though expressed in another way, was £2,750. Because the valuers were instructed to value as though the Act does not exist, the difference between the leasehold and freehold values was considered to be £7,000 when in fact the difference could not be more than the value of the freehold interest. It made the law look an ass.

The Department of the Environment has replied to my letter on this subject to the effect that the Government is of the opinion that the existence of two sets of valuation assumptions in one Act is anomalous and unsatisfactory and has stated no intention to amend the position.

It is hoped that surveyors and solicitors engaged on Leasehold Reform Act transactions on behalf of clients will press their claims for early action by the Government to have the amendment issued as soon as possible. In the meantime professional advisers will not be serving the interests of their clients if they propose any settlement of a freehold interest which contains an element based on the "tenants bid" — sometimes described as equitable division of the marriage value of freehold and leasehold notional values.

J. D. Norfolk.
Barrow Road, Cambridge.

Freedom of the individual

From Mr. K. Brown.

Sir,—Mr. P. Daden's letter of June 30 is typical of the more active and one-sided trade unionist. He talks glibly about the freedom of the individual, but rarely does a day pass without some report that a trade unionist employee often with many years' service, sometimes a lifetime, is dismissed because of the recently introduced closed shop ruling. What sort of freedom is this Mr. Daden?

Kenneth C. Brown.
52, West End Avenue, Pinner, Middlesex.

Brandy need not contain grapes

From the Managing Director, J. R. Phillips and Co.

Sir,—In the supplement of June 28 under the heading "Brandy" by Pamela Judge, certain factual statements have been expressed which we believe are open to doubt.

She indicates that Remy Martin is "the biggest selling cognac world wide," which is not the case.

The French journal "Moniteur" September, 1976, which indicates clearly that the largest exporter of cognac is Courvoisier, followed closely by Martell. Remy Martin is a poor fourth. Courvoisier has been the leader of exports in the cognac field for three years. The Bureau National de Cognac supports these figures.

The article refers to "what is seen as the huge Remy Martin 'image' heavy advertising and promotion". According to Media Expenditure Analysis the total spending on Press advertising in 1976 was Martell £361,000, Courvoisier £310,000, Remy Martin £280,000 and Hennessy £35,000.

The Courvoisier appropriation has been increasing year by year in relation to Martell while the Remy Martin appropriation has not changed substantially.

"All brandy is made from grapes of course," this is not the case. Brandy as such has no definition and need not be made from grapes. "French Grape" on the other hand must be made from the grape but few French brandies have any reference to grape and thus can be made from agricultural produce other than the grape.

As agents in the U.K. for Courvoisier Cognac we feel that the article is somewhat less than fair bearing in mind the strength of Courvoisier in the U.K. We would be interested in any information which shows clearly that "Martell reckons to outsell Courvoisier by 100,000 cases" as we know this is not the case. The research company you quote as showing Martell ahead of Courvoisier is correct though the figures for distribution (but not, of course, sales) show in December 1976 Courvoisier to be 50 per cent, Martell 61 per cent, Remy Martin 26 per cent and Hennessy 19 per cent. In all on-licences the situation is different with Courvoisier 56 per cent, Martell 53 per cent and Hennessy 18 per cent.

W. G. Beloe,
Avonmouth Way, Avonmouth, Bristol.

Source of directors

From Mr. C. Jackson.

Sir,—In his reply of June 13 to my letter of June 3, Mr. Hutchinson speaking for the Institute of Directors, favours allowing small companies to fall "as a result of market forces." This is scarcely patriotic! Companies with less than 5,000 employees produce 49 per cent gross national product and provide employment for 55 per cent of all engaged in manufacturing. Ought we to allow some of these to fail, and the employment to pass to foreign competitors, for want of directors with wider vision especially since many are, I believe, available in large companies?

He also seems to equate the functions of directors with those of executive management. This is, in my experience, the cause of the failure of many companies whose boards consist only of executives with the result that their meetings tend to be limited to discussions of short-term problems, neglecting less visible trends in national economies, market demand and changes in technology and in competition.

Most studies outline the functions of directors as primarily to question the company's long-term goals; to help formulate the policies to achieve them; to ensure that resources are available—including key management; and to monitor progress towards those goals. While boards are primarily concerned with making a sufficient return on present capital in order to attract more capital if and when it is required, modern directors recognise that their policies—and the executive action which follows—must win the active agreement and co-operation of all employees, of customers, of suppliers, of neighbours, and of the general public.

What sort of person can best fulfil these functions; what knowledge, what intellectual and what personal skills are required? How can we as a nation find people of the requisite calibre—be they sons-of-the-father, retired admirals, managers, trade union officials, shop floor workers, or even members of the general public?

One suggestion is that the Institute of Directors or the CBI should outline a "job description" and a "person specification" of a director, set up panels to assess those who aspire to become professional directors, and award a qualification—which could be withdrawn for indiscipline or for incompetence. Companies could then choose from among a cadre of qualified directors, the few who best fitted their industry and outlook.

A leavening of directors with wider perspectives coupled with wider employee participation by employee councils and perhaps by value-added incentive schemes, would, I believe, galvanise the performance of many a company.

Clifford Jackson.
20, Queen Street, Mayfair, W.1.

Discipline at sea

From Mr. J. McConville.

Sir,—While it was refreshing to see an appraisal of the new approach by the industry to discipline at sea on your Management Page (July 1), it is disappointing to find that here is apparently still an implicit acceptance of the assumption that quasi-military discipline is essential at sea, particularly for ratings. Is it perhaps unreasonable to suggest that putting disciplinary procedures "on a more humane footing" has been a somewhat limited objective?

The efforts to improve the lot of the seafarer should be encouraged, of course, but it is important that all the variables are taken into consideration. For example research has shown that a large percentage of recruits regard time at sea as only a "phase" in their early working life (one-third of the labour force are under 25 years and one half leave at the end of the second year) an attitude which the existence of a career structure within shipping would only marginally affect.

Similarly it is a mistake to look at discipline in isolation, as it is only one facet of the rapid changes the industry is undergoing. A new approach to discipline should be an integral part of the re-thinking at present taking place.

Since apparently the disciplining of officers presents no problems, and as on present evidence there will soon be more officers than men employed at sea, it can only be hoped that the traditional concept of discipline will at last become obsolete.

J. McConville.
Senior Lecturer.
City of London Polytechnic.
Department of Transport and Insurance.
School of Business Studies,
84, Moorgate, E.C.2.

A new fiscal yardstick

From the Director, National Institute of Economic and Social Research.

Sir,—The title of your leading article (June 30), "A new fiscal yardstick," is puzzling. The concept of the "full employment" or "constant employment" budget balance has been a standard tool of public finance analysis for a great many years although, as the Musgraves observe in their classic text, it is a concept which "must be used with proper caution." Are then the Institute for Fiscal Studies' calculations the first to be made for the U.K., which your article seems to suggest? May I be permitted to mention that we have been publishing in the Economic Review regular estimates of a "full employment" budget balance, on both a "financial" basis and an "output-weighted" basis since February, 1976.

G. D. N. Worswick.
2, Dean Trench Street, Smith Square, S.W.1.

Politics and accountancy

From Mr. H. Marsh.

Sir,—It looks as if a sizeable portion, if not a majority, of the Institute of Chartered Accountants will vote against mandatory introduction of current cost accounting.

Is it surprising? These are probably the guys who turned down integration of the profession in 1969, against the recommendation of council, on the grounds that they could see nothing in it for them. There will be nothing in CCA for them either but to turn it down for such a shabby reason would show it is too big for the profession.

I would, therefore, urge members to put parochial interests aside as at best it will be politically naive to vote it out at this stage and at worst they would lose control of it. If that happened other outside interests would eventually hit them right between the eyes and it would be no more than they deserve.

H. W. Marsh.
65, Dawstone Road, Heswall, Merseyside.

Profession for pedantic minds

From Mr. G. Townsend.

Sir,—I have become increasingly depressed as I have read about the anticipated outcome of the Institute of Chartered Accountants' ballot on current cost accounting. This depression has been further deepened by reading the comments, both in your correspondence columns and in the professional Press, of the backwoodsmen who seem so determined to sabotage any move towards inflation accounting.

The opposition has become so concerned with the warts of CCA, with problems which will certainly be soluble on implementation, that it has completely lost sight of the principal objectives of inflation accounting, which, despite the inadequacies of the Sandilands Report (which have been further amplified by the Morpeth Committee), remain just as important as ever. By ignoring the basic problem, and by concentrating its attack on the minutiae of implementation, the opposition to CCA is doing much to preserve the image of accountancy as the profession ideally suited to those with second-rate, pedantic minds.

There remains a need to redefine profit so that it means something. Historic accounts produce profit figures that are so unreal that even experts have difficulty in interpreting them. It is necessary to educate the public that, despite high reported earnings, industry suffers a continuing cash flow crisis. It must be easier to educate the public by producing accounts using some meaningful unit of measurement such as current value pounds, instead of producing meaningless figures, boasting how good they are, and then telling the public that these figures do not really mean anything, and that, if the firm is to continue in business, higher prices are needed.

G. R. Townsend.
Rheinlandstrasse 21,
6231, Schwalbach (Ts),
West Germany.

Management education

From the Director, Dunchurch Industrial Staff College.

Sir,—Michael Dixon (June 27) suggests that management education in the U.K. has failed to have the impact properly to be expected of it because working managers tend to seek cure-alls. Our experience is of astute businessmen carefully weighing the balance of cost-v-benefit and heavily handicapping the claimed benefit side with hard realism before investing.

We are, however, aware of the tendency of some in the education and training services, fields, and more in the management of company training or personnel departments, who always seek and adopt the avant-garde. For the latter particularly there is attraction, and hoped-for survival, in offering "this year's new thing" out of the hat to his employers.

In all other respects we agree with Michael Dixon's well and objectively discussed warning. As the scene of the first major action learning programme in the U.K. and still the home of all the most substantial activities of this kind, we see no panaceas in the concept. As with all tools and concepts, action learning is powerful in appropriate circumstances; in others it can only damage. The professionalism of our trade is not one of selling tools, rather it is that of knowing what tool to select at any time and how to use it to the maximum benefit of our clients.

R. A. Godsall.
Dunchurch,
Rugby,
Warwickshire.

To-day's Events

GENERAL

Court of inquiry into Grunwick dispute, chaired by Lord Justice Scarman, opens at Piccadilly Hotel, W.1.

Mr. Jack Lynch formally assumes office as Irish Prime Minister.

European Parliament in session, Luxembourg.

Mr. Janos Kadar, Hungarian Communist Party leader, on official visit to West Germany.

Mr. Michael Foot, Leader, House of Commons, speaks at Saffron Walden by-election meeting.

Committal proceedings begin at Horseferry Road Court, S.W.1., against a Bank of England official and eight others on charges alleging currency frauds.

Windscale public inquiry continues, Whitehaven.

Transport and General Workers' Union conference continues, Douglas, Isle of Man.

National Union of Mineworkers' conference continues, Tynemouth.

Two-day "London Looks Forward" conference ends, Queen Elizabeth Hall, S.E.1.

PARLIAMENTARY BUSINESS

House of Commons: Remaining stages of Merchant Shipping (Safety Convention) Bill and Torts (Interference with Goods) Bill. Consideration of any Lords amendments to Redundancy Rebates Bill. Motion on Army, Air Force and Naval Discipline (Continuance) Order.

House of Lords: Debate on Report from Select Committee on practice and procedure of the House. Presumption of Death (Scotland) Bill, committee. Coal Industry Bill, second reading. Hovercraft (Application of Enactment) (Amendment) Order. Debate on the Queen's Flight.

OFFICIAL STATISTICS

Housing starts, completions and grants (May).

COMPANY RESULTS

Bath and Portland Group (half-year). J. B. Eastwood (full year). General Electric (full year). Trust Houses Forte (half year).

COMPANY MEETINGS

Capper-Neill, Manchester, 11.30. Foster Bros. (Clothing), Solihull, 12. Gates (Frank G.), 40, High Road, Woodford, E.12.

COMPANY NEWS + COMMENT

Record £12m. from Associated Newspapers

AFTER rising from £3.76m. to £6.17m. at half-time, pre-tax profit of Associated Newspapers Group advanced from £8.45m. to a record £12.01m. for the year to March 31. 1977.

The company is controlled by Daily Mail and General Trust. It owns the Daily Mail, The Evening News and an interest in Southern Television and North Sea oil.

Stated earnings per 25p share are 18.9p (11.7p) and dividend total 5.151p (4.685p) with a net final of 3.518p.

	1976-77	1975-76
	£000	£000
Trading profit	7,942	5,878
Share assoc.	1,777	1,324
Income invs.	2,294	1,249
Earnings before tax	12,013	8,451
Taxation	6,161	4,506
Net earnings	5,852	3,645
Extraord. credits	645	†508
Minority holders	108	77
Attributable	6,389	3,060
Dividends	1,566	1,424
Retained	4,823	1,636

† Debits.

See Lex

HIGHLIGHTS

Full-year profits from Associated Newspapers are 42 per cent. higher with the first North Sea oil contribution coming through, but Fleet Street activities continue to make losses. Alexander Discount's first half takes in the quarter when big profits were earned out of the sharp fall in interest rates. Lex also takes a look at the figures from *Mercury Securities*, where banking profits are higher and metal trading and refining have shown a big recovery. Elsewhere, the statement from Blackman and Conrad covering 16 months shows that figures for the 12 months' period were inaccurate with the outcome only a sixth of the published level. Second-half profits at Bambergers, however, were better than expected, coming close to the doubled figures seen in the first six months. In contrast, the growth at Marshalls (Halifax) dipped in the second half but this was more or less anticipated by the market.

Bambergers recovers to £1.88m.

FROM THE depressed £0.94m. of 1975-76, pre-tax profit of Bambergers, timber importers and builders' merchants, improved to £1.88m. for the year ended March 31, 1977, after £0.93m. (£0.43m.) at halfway.

The directors report that for the first quarter of the current *period sales are ahead but competition is becoming intense.*

Stated earnings per 25p share *for 1976-77 more than doubled* from 4.1p to 8.8p and a net final dividend of 2.1298p lifts the total *from 2.6012p to the maximum* permitted 2.8613p—should ACT be reduced the appropriate benefit will be passed on to shareholders.

	1976-77	1975-76
	£000	£000
Turnover	39,3?0	33,631
Pre-tax profit	1,883	938
Tax	1,008	321
Extraordinary credit	7	†220
Attributable	882	197

† Debit.

Mr. Cecil D. Woodburn-Bamberger, chairman, says "an *increase in sales was achieved in the* second half at the expense of a slight reduction in margins.

"The value of stockholding at the year end was up by about a third, but this represents the increased costs of imported materials; the volume was little changed.

"The construction industry generally is suffering but the prospects for private housebuilding are rather more encouraging."

● comment

Bambergers' second half was better than expected, almost matching the pace of more than doubled interim profits. So the shares rose *½p to 43½p yesterday where the p/e is 4.7* and yield 10.6 per cent. With timber prices staying slack and sterling steady, stock profits are unlikely to be a prominent factor this year. But in a weak *market* the strength of Bambergers is its concentration in panel products, for which there is still increasing demand. This represents two-thirds of turnover in the forest products division. If U.K. housebuilding perks up, group profits could be on the rise again, although there is some way to go towards the peak profits of £2.46m. made in 1974. Meanwhile, the rise of a third in the cost of stocks to £8½m. has led to higher short-term debt of £4.4m. (£3.4m.), although this is hardly a problem with shareholders' funds of around £7m.

Mercury Securities £2.37m. rise

HELPED BY an increased contribution from S. G. Warburg and Co. and its associates, up from £8.68m. to £10.43m., after-tax profits of Mercury Securities for the year ended March 31, 1977, improved from £9.34m. to £11.71m.

After minorities of £3.1m. against £2.48m., profit attributable emerged ahead from £6.87m. to £8.61m. Earnings per 25p share are shown as 20.27p compared with 16.19p, and the net dividend is stepped up from 3.0346p to 3.338p, absorbing £1.42m. (£1.29m.).

Capital and reserves, not including inner reserves, have increased to more than £56m. and have risen by 146 per cent. over the past five years, it is stated.

Unappropriated profit rose from £5.58m. to £7.19m., and the directors state that in addition to this, published reserves have also increased (principally due to exchange adjustments) by a further £1.18m. In accordance with the group's accounting policies, £1.62m. has been written off against reserves mainly in respect of the excess of the cost of the purchase of the minority interest in the metal trading subsidiary over the book amount of the attributable assets, they add.

Within the Warburg Group, merchant banking profits rose from £6.99m. to £7.98m. (after provision for tax and diminution in value of assets and after transfer to inner reserves), reflecting a higher level of activity throughout the business, it is stated. Metal trading and refining profits were ahead from £0.83m. to £1.59m., and insurance and shipping was steady at £0.86m.

The parent company's employment benefit consultancy was £64,000 up at £0.49m., the advertising agency, which has been sold, jumped from £0.19m. to £0.31m., and others increased by £0.24m. to £0.29m., for a total of £1.28m. against £0.66m.

See Lex

Sutcliffe Speakman setback

ON SALES down from £8.66m. to £7.54m., engineers Sutcliffe Speakman and Co. ended the year to March 31, 1977, with taxable profits lower at £0.34m. against a *record £0.45m.*

At halfway profit was £47,000 down at £0.16m., and the directors said that continued depression in home trade and severe competition overseas had restricted sales and improvement in margins.

	1976-77	1975-76
	£000	£000
Sales	7,544	8,656
Trading profit	452	492
Interest	113	40
Pre-tax profit	339	452
Tax	182	255
Net profit	157	197
Minorities	3	2
Attributable	154	195
Ordinary dividends	53	49
Retained	101	146

Earnings per 25p share are shown at 6.3p (8p) and a net final dividend of 1.0682p raises the total to a maximum permitted 2.1572p against 2.0118p on capital increased by the one-for-ten scrip issue.

Marshalls Halifax tops £1.8m.

AFTER taxable profit ahead from £0.85m. to £0.99m. at halfway Marshalls (Halifax) achieved an advance of £0.19m. to £1.85m. for the year to March 31, 1977. Sales were up £2.56m. at £18.57m.

With inordinately high inflation and a persistent gloom pervading the economy the prospects in the current year are cloudy. However, trading is reasonable throughout the group and the directors believe there is a good chance of increasing profits for the current year.

During 1976-77 more than £1.5m. was invested in the group for buildings, plant and equipment. This reflects the Board's confidence in the long-term prospects for the company shown by a determination to improve continuously the efficiency of all operations, they say.

Stated earnings per 25p share were lower at 14.74p (15.04p) and as forecast a net final dividend of 4.188p makes the total a maximum permitted 5.163p (4.711p). If the rate of ACT is reduced the final dividend will be amended accordingly.

	1976-77	1975-76
	£000	£000
Sales	18,566	16,006
Interest	246	183
Pre-tax profit	1,851	1,664
Tax	936	805
Minorities	22	22
Extraordinary credit	48	†1
Attributable	911	833

† Debit.

The concrete and quarrying division improved trading profit from £0.96m. to £1.07m. For the engineering division profit was up *from £0.89m. to £1.03m.* but export volume was slightly lower. Higher Speed Metals, acquired in February, made a small contribution to profit and is trading currently at a profitable level.

● comment

As expected the rate of profits growth at Marshalls (Halifax) *slowed down in the second half* —from 16 per cent. to 6 per cent. —leaving the year right in line with outside estimates made at the time of the interim figures. Overall trading profits from the concrete and quarrying division lagged behind the advance of the engineering side, reflecting the wet winter months which undermined demand that was already showing the effects of the downturn in the building industry. Engineering, on the other hand, put up a reasonable performance —trading profits up 15 per cent. for the year—thanks to a high export content, about half of sales. For the current year *demand prospects look unexciting* on the concrete side, though there is some insulation from the general building cycle, as 35 per cent. of turnover is aimed at the private market through the "garden centre" styled retailers. As for engineering, Marshalls will have to rely on exports for any real growth. At 82p on a p/e of 5.3 and yield of 10.2 per cent., the shares are relatively attractive despite the unexciting prospects.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alexanders Discount int.	4.5	July 29	3.5	—	12.83
Assam Frontier	16.25	Aug. 22	7.87	16.25	7.87
Assoc. Newspapers	3.52	Aug. 15	3.2	5.15	4.6
W. W. Ball int.	0.91	Oct. 3	0.83	—	1.65
Bambergers	2.13	Sept. 5	1.94	2.86	2.6
Blackman & Conrad	nil	—	1.9*‡	1.38	3.15*‡
Marshalls (Halifax)	4.19	—	3.74	5.16	4.71
Mercury Securities	3.34	—	3.03	3.34	3.03
Sutcliffe Speakman	1.07	Aug. 3	1.03*	2.16	2.01*
Tex Abrasives	2.06	Sept. 16	2.06	2.71	2.71

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Adjusted for consolidation into 20p shares.

Blackman & Conrad down after overstatement

A BREAKDOWN in the internal management accounting system at clothing manufacturers, Blackman and Conrad, led to the publication of inaccurate profit figures for the year to September, 1976, the chairman Mr. D. Alderman, explained yesterday. The audited figures for the 16-month accounting period show pre-tax profits of £103,796 (£816,781) compared with the inaccurate £670,000 shown for the 12 months to September. Turnover for the full period rose from £8.62m. to £14.27m.

Figures for the six months to March, 1976, which were accurate, revealed pre-tax profits of £410,000 so the loss for the remaining ten months amounted to £513,000.

According to the chairman, during this period internal accounts received by central management failed to allow for heavy exceptional items incurred during the major expansion programme entered into over the past year and a half.

During this 18 months period three new factories were opened in Scotland and 300 extra staff employed. One of the factories was bought in March 1976 at a cost of £135,000 and there were £100,000 additional costs in establishing it. In the North East division there was a £250,000 turnround to losses following the overnight resignation of a top manager which culminated in a five-week strike.

There was also a proposed new factory at Preston which did not go ahead but which cost the company £30,000. At the same time the withdrawal of the Regional Employment Premium cost the company £100,000 compared with the previous period.

Mr. Alderman said that there were no more exceptional items to be accounted for. He has appointed a full-time financial director, increased the number of internal auditors and introduced a system of weekly management reports. As a result he expects to see pre-tax margins restored to 8 per cent. for the current year, though on a slightly lower turnover.

In the period under review earnings per share were stated as 0.74p (5.54p). There is no final dividend so the payment is 1.375p for the 16 months.

● comment

Final pre-tax profits at Blackman and Conrad were only a sixth of the inaccurate levels published for the 12 month period and the market retaliated by slashing the shares by 10p to 18p. From the figures it appears that trading margins also dipped in addition to the heavy exceptional items which had not been accounted for. But the company is certain both that there will be no more exceptional items this year and that margins will be fully restored *to 8 per cent.* This is despite the difficult trading conditions which continued into the first quarter of this year. The margins will be achieved by running down less profitable divisions and this policy has already resulted in a reduction of children's wear output as a result of competition from cheap imports. However, the mail order business is said to be showing increased volume, so the overall drop in turnover for the year may be slight. In the meantime, the dividend yields 11⅔ per cent. and the p/e is 24. Any uplift in the shares must await the proof of the new management systems.

Westminster Property loss deepens to £0.6m.

INCLUDING AN exceptional loss this time of £0.32m. Westminster Property Group shows an increased pre-tax loss of £0.61m. against £0.24m. for the year to September 30, 1976. At halftime the deficit was £0.12m. compared with a profit of £60,200 and in October the directors estimated a similar result for the second half.

The directors are continuing efforts to improve the company's cash flow by internal economies and property disposals. To this end sales of about £1.2m. have been achieved since year end and negotiations are nearing completion for the disposal of about a further £0.5m.

Included in these disposals is the sale of around half the industrial development at Ilkeston Road, Nottingham, for £0.58m., representing the book cost and the directors' valuation. This resulted in a break-even position.

In addition a substantial proportion of residential properties were sold at auction in early June 1977 for in excess of book cost and negotiations are in hand for the sale of the remainder.

The company envisages that the effect of these disposals will be to return it to profitable dealing, trading and investment activities in the future.

The stated loss per 20p share was 8.6p (3.1p) after exceptional and extraordinary debits. The last dividend to be paid was 1.34p net from profit of £0.42m. for 1973-74.

The directors say they note some revival in the state of the property industry in the U.K.

In Portugal a strong revival of interest has occurred in residential properties in the Algarve. During the last two months a significant number of the company's residential units have been sold. Construction is now being undertaken to complete the Windmill apartments which, together with recent sales and existing completed units, will produce a total sales value of £1.2m. There is a more stable political climate in Portugal and a healthy resurgence of the tourist industry. Both factors are having an encouraging effect on sales, the directors add.

Agreement has been reached between the plaintiffs and Lubbock Fine, by which Lubbock Fine will pay £200,000 plus a contribution towards the plaintiffs' costs in full settlement of all claims against them.

The plaintiffs' action and Lubbock Fine's claim for an indemnity or contribution is proceeding against the former directors.

Legal action by Talbex

In the High Court, proceedings were brought by Talbex Group and its subsidiary, Dorchester Finance Company, against various former directors of Dorchester Finance, and against the former auditors, Lubbock Fine and Company.

An amicable settlement has

Fleming Property Unit Trust

At the March 25 year-end, the net value of the Fleming Property Unit Trust amounted to £50.2m. compared with £36.3m. 12 months previously. The total subscribed to the trust during the year came to £9.4m. and there was a further £3.1m. from the merger with St. Martins Property Unit Trust. The unit price rose by 3.7 per cent. during the year to £1,141.

Since the year-end there have been two issues of units which produced a combined inflow of £14.3m. and the value of the fund now stands at around £68m. Of this nearly a quarter is in cash, some £4.3m. committed or in the process of being spent on new property acquisitions, and £13m. uncommitted. Latest purchases have been two shops in York and an office with shops beneath in Reading.

The trust's current buying policy is to concentrate on shops and industrial property though the committee of management now thinks it has grown sufficiently to contemplate buying at least one property in the £5m. to £6m. range.

Sangers

In the current year The Sangers Group has increased its investment in the retail optical field and the directors look forward to a profitable addition to the company's usual pharmaceutical and other activities, states Mr. H. T. Nicholson, chairman.

A chemist's gift token scheme has been started to enable independent retail chemists to participate in the growing market for gift tokens.

He tells members that he expects all of these activities to add to profits in the long run.

As known, pre-tax profit for the year to February 28, 1977, rose from £1.83m. to £2.44m. on turnover of £30.5m. (£25.14m.).

Meeting, Connaught Rooms, WC, July 21, noon.

Hartle downturn to £78,800

With depressed trading and a low demand for new machine tools, engineers and machine tool makers, Hartle Machinery International, report a downturn in taxable profits for 1976 from £269,900 to £78,800 on turnover of £7.57m. against £8.4m.

Profit at midway was behind at £35,200 compared with £181,000.

Mr. D. Hartle, chairman, says that in spite of adverse conditions and the group's internal reorganisation, the company has maintained a good share of the markets in which it operates.

An upturn is currently being seen, in the major constituent parts of the group, he adds, and although the distribution division is still not feeling the benefit of the improvements, the manufacturing subsidiaries are working to full capacities.

The chairman says he confidently expects a satisfactory improvement in the future trading performance of the group.

Earnings per 25p share are shown as 1.77p (6.98p) and a second interim dividend is announced of 0.9p net. The company has changed its financial year end from December 31 to June 30. The directors say that a *final dividend will be considered* for the 18 month period.

HARTLE COLS. 5 EMS 19

	1976	1975
	£	£
Turnover	7,569,100	8,401,800
Pre-tax profit	78,800	269,900
Tax	33,700	91,600
Net profit	45,100	178,300
Extraordinary debits	24,300	59,300

Capseals Sacks changes name

CAPSEALS SACKS, the paper packaging specialists, will start trading now under the new name Contour Packaging.

Mr. Jerrold Carr, director and managing director, said: "When the name Capseals Sacks was chosen for this company the main product was a simple paper sack. Since that time we have penetrated more deeply into the packaging field."

He said the name Contour Packaging was more closely related to the products.

Tex Abrasives

With an advance in second half pre-tax profit from £150,038 to £174,576 industrial coated *abrasive products makers Tex Abrasives* maintained the full time figure for the year to March 31, 1977, at £279,267 against £281,760. Sales were £0.76m. better at £4.48m.

The net final dividend is held at 2.03675p per 10p share making a total of 2.70675p (same). Profit was struck after depreciation of £68,771 (£53,300). The tax charge was £132,544 (£126,525) leaving a net balance of £146,723 (£155,235).

ISSUE NEWS

Cambridge Water offer for sale

BY TERRY GARRETT

Cambridge Water emerged yesterday as the company which underwrote a preference stock offer for sale on the same day that Bournemouth and District published its prospectus, but offered the market a better yield.

Cambridge's offer for sale by tender is of such an amount of 8¾ per cent. Redeemable Preference Stock 1982 as will produce £1.3m. The minimum tender price is £99.50 per cent. This compares with the tighter terms from Bournemouth which is raising £1m. by an offer for sale by tender of similar dated stock, but with a coupon of 8 per cent. priced at £99 per cent. The Cambridge stock yields 12.75 per cent. flat and 12.8 per cent. to redemption against figures of 12.4 per cent. and 12.5 per cent. for Bournemouth.

That two similar issues should clash like this is believed to be unprecedented. Though discussions had taken place between brokers McAnally Montgomery, representing Cambridge, and Seymour Pierce, on behalf of Bournemouth, they did not come to any joint arrangement.

Seymour, which is the most active broker in the water companies market, did not expect McAnally to underwrite its issue nearly two weeks ahead of the prospectus date, and McAnally was evidently unaware that Seymour had an issue scheduled just in front of its own.

McAnally, whose only water company business is Cambridge, claims that it has not changed its usual time scale. Evidently it normally underwrites its issues well in advance (Seymour does it a couple of days ahead of the prospectus).

The application list for the Bournemouth offer closes this morning and undoubtedly its response has been overshadowed by Cambridge's issue. Nevertheless Seymour Pierce report a good response to date.

If Seymour's issue goes well it will benefit McAnally, for it would indicate a minimum demand of over £100 for the Cambridge issue, and the wording of its prospectus enables it to issue stock as the average price goes.

THE ENGLISH ASSOCIATION

The English Association American Bond and Share Holdings announces a rights issue at share on the basis of three shares for every two held on 1.

This issue is subject to holders approval at a meeting be held on July 27 and will approximately £1m., which be used to expand activities the financial sector.

FINE ART—95%

Fine Art Developments rights issue on the basis of for-four at 31p each has taken up as to 94.6 per cent. remaining 493,221 shares been sold in the market at average net premium deduction of expenses of share.

PHIT sees 10% profit increase

The cash position at Property Holding and Investment Trust is strong and Mr. A. W. John, chairman, expects an increase of about 10 per cent. in taxed revenue for the current year.

Thereafter, he looks forward to a steady flow of increased rents from reversions and developments.

Last year net liquid funds increased by £1.05m., the sale of properties realised £3m.—nearly £0.8m. was spent on additions to properties.

Over the next 18 months the company will have to meet capital expenditure in excess of £1.3m. but can expect continued inflow from sales of flats, he tells members.

Last year flats were sold for *£1.5m. and more sales are proposed* but the proceeds are not expected to be as much.

The ownership and letting of flats continues to be an unsatisfactory business and in many cases results in losses or at best a very unsatisfactory return on investment. We shall therefore continue our policy to sell long-term leases of flats owned by the group other than those buildings where we consider it we need to maintain control. The policy which has produced less than £15m. since it was augurated can be expected to produce a further £5m. over the next few years," he adds.

As known, revenue for the year ended March 31, 1977, was £1.7m. (£1.26m.) before tax of £0.83m. (£0.63m.).

On the basis of a valuation March 31, 1977, the group's property interests are valued at £48.5m., representing an surplus £12.8m. over book value.

Meeting, Dorchester Hotel, July 25, 12.15 p.m.

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION LIMITED

The Forty-fourth Annual General Meeting of shareholders of The Scottish Agricultural Securities Corporation Limited was held at the Registered Office of the Corporation on 1st July 1977. Mr. A. M. Russell, Treasurer and General Manager of the Bank of Scotland, Chairman of the Corporation, presided and, in moving the adoption of the Report and Accounts, said:

As my predecessor mentioned last year, the Corporation was fortunate in being able to issue during the last Financial Year £2,000,000 of 14 per cent Debenture Stock 1993 at a cost of approximately 14¼ per cent per annum. This reduced the Corporation's indebtedness to its three shareholding Banks and, in fact, the Corporation's bank account moved into credit in September, which situation lasted until February. In December it was reluctantly agreed that the Corporation's rate of interest would require to be raised from 15 per cent—the rate held since August 1974—to 16 per cent in view of the rates prevailing at that time. In March the rate was brought back to 15 per cent. Since the end of the Financial Year, at the Board Meeting in May, in fact, the Board at their monthly review of the interest rate agreed that, despite the fact that funding even for 15 years would probably cost over 14 per cent and for 20 years something in excess of 15 per cent, they would reduce the rate to 14 per cent in an effort to assist the farming community. This was only possible because the Corporation, at the moment, has Debenture Issues outstanding at very favourable rates of interest. Repayment of these Issues, however, begins in 1981.

As will be appreciated, the Corporation is lending for periods of up to 25 years and the rate charged to borrowers must be related to the cost of borrowing by the Corporation. The bulk of the Corporation's borrowing is, of course, long term although it will be noted that the last issue was for a period of only 17 years. It would appear to be most unlikely that in the foreseeable future the Corporation would be able to raise money at a realistic rate of interest for a term of years matching the average period of loans of upwards of 20 years.

The past year has seen net new lending drop to a figure of £6,000. Loans completed during the year decreased by £357,000 and premature repayments increased by £383,000. Loans approved and awaiting completion at the end of the year, however, rose by £235,000. There are, I think, three main reasons behind these figures. Firstly, the buoyancy of the potato and grain markets produced a surplus of cash for reinvestment in additional land. Secondly, the effects of the drought were more severely felt in England and Wales than in Scotland. This helped the potato and grain markets and produced the unusual position of land prices being higher in Scotland than in England and Wales, which encouraged the sale of farming land in Scotland when prices were at what seemed to be a peak. Thirdly, potential purchasers and borrowers from the Corporation were competing with purchasers with cash in hand who did not have to have regard to the cost of servicing borrowing when considering the price they could afford for land.

An interesting feature of the loans which were settled during the year was that 26 per cent of the amount lent was to tenants purchasing their farms. This is certainly a higher proportion than has been seen for some considerable time. The tenants have, in fact, been faced with a decision between remaining on their farms at rents rising rapidly or purchasing the land that they or their family may have worked for generations (a goal that many a few years ago would have considered a pipe dream) with the aid of borrowed money and so immediately increasing the outlay required per annum and at the same time incurring for succeeding generations a further liability to capital transfer tax. The other feature of the loans settled was that only 9 per cent was to fund bank borrowing on a long term basis. The loans that fell into this category were for overdrafts recently incurred for improvements.

With regard to the accounts, once again the profit was most satisfactory and enabled the expenses of the Debenture Issue to be written off in the year of the Issue and a further £100,000 to be added to General Reserve.

The past year, although quiet in terms of net lending, has seen the introduction of a new form of Accounts, which it is hoped the Members will find more informative. For their work in this connection and for their loyalty and enthusiasm throughout the year, the Board are most grateful to Mr. McTurk and the other Members of the Staff of the Corporation.

The Report and Accounts were formally approved and adopted and a dividend of 3½ per cent duly declared.

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Big spending plans for Powell Duffryn

CAPITAL expenditure plans for Powell Duffryn in the current year are ambitious, chairman Sir Alec Ogilvie reveals in his annual statement. The plans involve additional bank borrowings in the U.K. and Overseas, he says, but this is well justified by balance sheet strength.

Future capital expenditure is shown in the 1976/77 accounts at £7.92m. (£4.67m.) including £0.94m. (£0.53m.) authorised.

The company's activities cover shipping, engineering, fuel distribution, oil and chemical storage, quarries, timber and industrial services.

In the pollution control division, special attention has been given to the acquisition of additional tipping facilities to increase competitivenes and the division's market share.

Negotiations are taking place for the building of two more ships in the U.K. in addition to a 9,000-ton bulk carrier completed this May and two smaller ships being built on the North East coast. All these ships are needed to replace those due for withdrawal in the next few years and maintain a modern and efficient fleet of bulk carriers.

Work is to start shortly on construction of a new chemical storage installation in Botany Bay, Australia. In the timber and builders' merchants division further plans are in hand for enlarging the area of operations and increasing the range of services, including the establishment of a finger jointing plant and enlarging and improving retail premises.

Sir Alec confirms that the 12 months to March 31, 1977 was a good year for the group as a whole. As reported, pre-tax profit was lifted by 43.4 per cent. to a record £13.69m. Net dividend total for the year is 7.803p, up from 7.094p.

Adjusted for inflation profit was £9.28m. (£6.02m.).

He says of the current year: "We expect that any further effect of the present recession in the construction industry on some of our activities will be cushioned by the continuing improvement in the results of other divisions."

While inflation continues and future pay policy remains undecided it is difficult to make a forecast, he says, but adds: "Nevertheless, with a projected sizeable increase in turnover, together with the Board's plan for a considerable uplift in our capital investment programme, there is no shortage of optimism in the group and we face the future with confidence."

During the year to March 31, capital expenditure rose to £8.1m. net of disposals, more than double the level of the previous 12 months. Stock and work in progress stood at £42m. at the year-end—24 per cent. up, reflecting not only the effect of the depreciation of sterling on timber and fuel oil prices and inflation in the past 12 months, but also increased activity in the engineering division in the last quarter.

"However," he states, "the much improved profitability, which resulted in a 30 per cent. improvement in the return on net assets, and the strict credit control exercised by divisional management generally, which led to a small net decrease in the other components of working capital, helped to curb the overall outflow of funds to £2.5m."

He adds that balance sheet gearing at March 31, excluding net cash balances, "amounted to a healthy 11.3 per cent. which would be further strengthened if the recently announced proposals to change the method of deferred tax accounting were adopted."

Meeting, Dorchester Hotel, W., July 27, noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's time-table.

TO-DAY

Interims—Bath and Portland, J. and H. B. Jackson, Linecroft Kilgour, Trust Houses Forte.

Finals—Attock Petroleum, G. H. Downing, J. B. Eastwood, General Electric, Rexmore.

FUTURE DATES

Interims—

Barclays Bank	July 25
Bonsor Engineering	July 7
Cornercroft	July 8
Derby Trust	July 21
Dow (G.)	July 14
Mears Bros.	July 13
Wearra Group	July 7
Websters Publications	July 8

Finals—

Braithwaite Engineers	July 7
Brown (N.) Investments	July 18
Caird (Dundee)	July 8
Celestion Industries	July 7
Crown House	July 11
Denbyware	July 14
Jones Stroud	July 19
Marling Industries	July 13
Priest (Benjamin)	July 14
Stoddard Holdings	Aug. 31
Toothill (R. W.)	July 12
Vinten Group	July 15
Wilkinson Match	July 12
Wrighton (F.)	July 12
Wyndham Engineering	July 20
Young Austen and Young	July 14

W. W. Ball up £0.17m. first half

ALL AREAS of activity at W. W. Ball and Sons, which manufactures plastic mouldings and components, have contributed to a first-half pre-tax profit increased from £249,000 to £422,000, which is 69 per cent. above the previous best.

Mr. J. E. Ball, chairman, says there is every indication that profit for the current year to September 30, 1977, will comfortably exceed last year's record £670,354. At the annual meeting in March the chairman forecast a good improvement at halfway and he was confident of better year-end results.

The company is beginning to benefit increasingly from the heavy capital expenditure of recent years and he feels that it will be moving to much higher levels of profitability given a fair economic climate within which to operate.

The directors look forward to the challenge of the current year "in the knowledge that we have the potential and ability to meet the demands which may be made on us."

The net interim dividend is stepped up from 0.83p to 0.913p—last year's total was 1.646p.

	Six months 1976-77 £000	1975-76 £000
Turnover	2,861	2,145
Profit before tax	422	249
Taxation	200	117
Net profit	222	132
Interim dividend	39	35

Alexanders Discount upsurge

FIRST HALF profits at Alexanders Discount Company for 1977 are materially higher, the directors state. This was largely brought about by the rapid fall in interest rates during the first three months and more stable conditions since then which have enabled a satisfactory level of profit to be maintained, they say.

The net interim dividend is lifted to 4.5p (3.5p) per £1 share. The total for the year will be decided in the light of fulltime profit and regulations existing at that time. Providing trading conditions and regulations remain as they are now, the directors expect to pay the maximum permitted.

Last year dividends totalling 12.829p were paid from a depressed after-tax profit of £0.26m.

Statement Page 31
See Lex

Assam Frontier soars £3.3m.

FOR 1976 the taxable profits of Assam Frontier Tea Company soared by more than fourfold from £930,005 to a record £4,227,741, on sales up £4.9m. at £9.86m.

Stated earnings per £1 share leapt from 22.91p to 110.63p and the net dividend is lifted to 16.25p (7.865p).

Profit was struck after development allowance reserve of £800 (£5,620). After tax of £3,170,000 (£720,000) the net balance emerged at £1,057,741 (£210,005).

HARDYS & HANSONS

Turnover of Hardys and Hansons for the 26 weeks to April 1, 1977 was £4.36m., compared with £3.71m. In last Thursday's report, the £855,554 (£738,579) trading profit was inadvertently quoted as turnover.

Whitecroft looking for growth

BUDGETED CAPITAL expenditure on development and expansion of companies in the Whitecroft group amount to more than £2m. in the current year, reports Mr. R. G. Gould, chairman, in his annual statement.

In addition the company is actively seeking complementary acquisitions. The directors look forward to further progress, he adds.

The company's interests are in textiles, building and engineering and leather. The borrowings of the group remain low and the chairman says there are considerable resources to finance planned expansion.

On September 30, 1976 the regular triennial valuation of all group property assets was undertaken and the adjustments to bring property valuations in line with to-day's market conditions is incorporated in the balance sheet. In addition the annual review of the values attributable to investments in subsidiary and associated companies has been carried out and it was decided to reduce the book value of goodwill by £700,000 to bring the value of shareholdings in line with net assets.

As reported on June 31, pre-tax profit for the year to March 31, 1977 rose from £3.09m. to £5m. before tax of £0.97m. (£1.50m.). No provision has been made for deferred tax in 1977; had there been, net profit would have been £2.48m.

Meeting, Manchester, July 25, noon.

Statement Page 23

Cawdaw Ind. boosted by textile sales

Reflecting a significant increase in profitability of its textile units, principally due to higher volume sales at Cawdaw Dyers, Cawdaw Industrial Holdings expanded profit by £0.19m. to £0.5m. for the year to March 31, 1977. Group sales were ahead from £8.57m. to £11.72m.

Halfway profit was up from a depressed £70,259 to £0.27m. and the directors said prospects for full-time results looked encouraging.

The kitchen furniture side of the business had a difficult year in the face of fierce competition and the deepening recession in the construction industry. Remedial action, referred to at the interim stage, has so far proved to be insufficient and a major rationalisation programme has been introduced, the directors now state.

The timber and "do-it-yourself" outlets situated in the South of England, all improved on previous performances and made an acceptable contribution to profits, they add.

The net dividend is raised to a maximum permitted 2.167781p (1.97071p).

	1977 £	1976 £
Sales	[illegible]	[illegible]
Pre-tax profit	[illegible]	[illegible]
Tax	[illegible]	[illegible]
Net profit	[illegible]	[illegible]
Extraordinary credits	[illegible]	[illegible]
Minorities	[illegible]	[illegible]
Attributable	[illegible]	[illegible]
Ordinary dividend	[illegible]	[illegible]
Retained	[illegible]	[illegible]

Midway rise at Intl. Distillers

On sales £23.83m. ahead at £177.45m., pre-tax profit of Grand Metropolitan subsidiary International Distillers and Vintners for the six months to end March 1977 rose from £4.79m. to £7.65m. The profit is struck after a reduced contribution from associates of £0.89m. against £0.45m. and interest charges down from £5.11m. to £4.53m.

Tax takes £4.53m. (£2.49m.) leaving £2.13m. (£2.3m.) before minorities, credit £61,000 (debit £45,000).

Profit for all 1975-76 was £18.77m., against £9.69m.

Norwest Holst well placed

THE ORDER book is much as it was a year ago but the difficulties in every way are greater at Norwest Holst, Mr. S. E. Baucher, deputy chairman, tells members. However, the directors are confident that, when economic activity returns, the company is especially well placed to make a sizeable contribution to the future prosperity of the country.

Currently the group is challenging in the law courts the validity of an investigation of the company's affairs by Department of Trade Inspectors. As known the inspectors were appointed in March and the directors stated that there did not appear to be any circumstances to justify this.

As reported on June 1, taxable profit for the year to March 31, 1977 was up from £2.33m. to £2.7m. on sales of £73.68m. (£71.43m.). There was an extraordinary debit of £0.65m. (credit £0.4m.). The net dividend is raised to 4.0625p (3.52599p) per share.

At year-end net liquid funds were up £2.35m. (£8.38m.) and future capital expenditure amounted to £0.25m. (£55,000) of which contracts for £15,000 (£4,000) had been placed.

A consortium comprising Mr. Slater, Mr. A. J. Lilley, Mr. L. [illegible] and BIT Investments holds 23.21 per cent. interest.

On March 31, 1977, in a preparation for current cost accounting, the company's land, buildings and investment properties were professionally revalued at £5.19m. against £4.66m.

The year was an active one overseas. A joint company was formed with John Hill Travel, a [illegible] company, with a view to spreading the inflow of foreign currency into Portugal.

Norwest's primary objective in Portugal is still to sell real estate, but now this is very closely integrated to an on-going tourist activity to the benefit of all, including the purchasers of the real estate, Mr. Baucher comments. The group has the full support of the Portuguese banks and, providing current circumstances, the factors are hopeful of a long-term prosperous future in the industry, he says.

Joint venture in France to buy out residential development [illegible] proving disappointing but current action should bring about improvement in the long term. The group's interests in Spain have been sold but repatriation of the proceeds is proving a lengthy process. In Iran a project for the construction of grain silos and a flour mill has been almost at a standstill, but a restart is expected in the near future.

Meeting, Carlton Tower Hotel, S.W., on July 26 at 11.30 a.m.

Order intake rises at Sheepbridge

ORDERS on hand at Sheepbridge Engineering are higher than a year ago and the directors look forward with confidence to maintaining the company's advance, states Lord Aberconway, chairman.

As far as overseas markets are concerned, the order book is strong, he tells members in his annual statement. Indirect exports continue to account for a big proportion of total sales.

As reported on June 24, sales for the year to March 31, 1977, rose from £44.89m. to £51.6m. and pre-tax profit was up from £4m. to £5.58m.

U.K. sales accounted for £40.13m. (£36.08m.) of the total and exports £11.48m. (£8.8m.).

Net liquid funds dropped by £0.39m. (£1.57m. increase).

Meeting, Grosvenor House, W., July 28, 12.30 p.m.

Statement Page 30

Monks Invest. sees further expansion

Earnings per share should show further growth in the current year for Monks Investment Trust, according to Mr. M. Hamilton, the chairman, in his annual statement.

This advance would be in line with the company's policy, but if market conditions were to dictate a move back from British Government Stocks into domestic or foreign equities, this would cause some reduction in any potential increase in earnings, he notes.

Maintenance of an even balance between income and capital appreciation should, if present trends continue, lead to growth in earnings and dividend over the years, but the directors do not expect the average annual earnings rise to be as high as 25 per cent, he says.

As reported on May 23, for the year to April 30, 1977, pre-tax revenue expanded to £2.01m. (£1.58m.) on income up from £1.94m. to £2.66m. Earnings per 25p share were 1.46p (1.17p) and the net dividend is 1.4p (1.15p). Liquidity fell by £0.57m. (up £4.8m.).

On January 14, 1977, short-term borrowings arranged under a line of credit with Morgan Guaranty Trust Company, amounted to $5m. This facility was converted into a five-year loan at interest to be agreed from time to time.

Taking into account the inherent strength of the U.S. economy and the dollar, stocks appear to be by no means overvalued in relation to prospective earnings, the chairman says.

At year-end total net assets were £56.12m. (£53.79m.) of which 38.2 per cent. were invested in the U.S., with the total foreign proportion being 45 per cent. and 54.7 per cent. in U.K. equities.

Meeting, Great Eastern Hotel, E.C., on July 27, at 10.30 a.m.

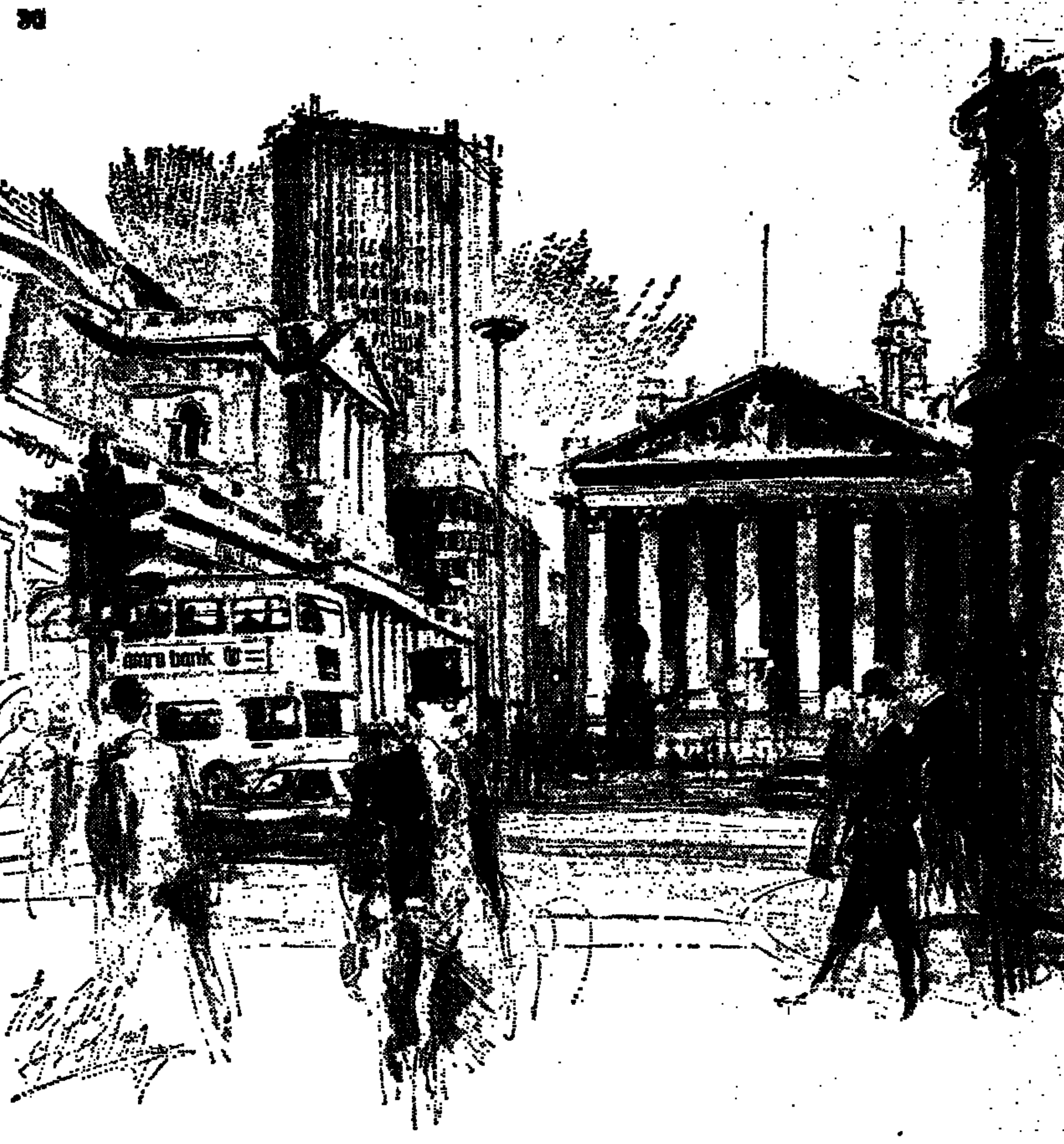
Chairman's Statement Page 40

Utd. Wire link for oil work

An agreement has been signed between United Wire Group and Thule International (which supplies consultancy services and specialist equipment to the oil industry) under which two companies are being established to market a patented design of vibratory screen machine, primarily for use on oil rigs, for the recovery of mud and drilling fluids.

The companies will be Thule United, based in Aberdeen. United Wire will hold a majority interest and the company will operate in the Eastern hemisphere which will include the North Sea, Europe and the Middle and Far East; and Thule United Incorporated (based in Houston), in which United Wire will have a minority holding and which will operate in Canada, America and South America.

There are a number of units currently under test on oil rigs in the North Sea, and while it is too early yet to draw any firm conclusions, the initial results are promising.



Amro Bank now in London

The Amsterdam-Rotterdam Bank NV (Amro), a leading bank in Holland, now has an office in London.

It has been supplying banking, business and marketing services to a number of leading British companies for quite some time now.

Their needs have increased, and the time is right for Amro to provide on-the-spot facilities.

At the same time, many more companies are faced with the need for skilful and expert banking services, advice and guidance in order to take advantage of expanding international trade.

Amro is involved in every aspect of the Dutch economy, and has been at the centre of the development of Holland's financial and economic ties with other EEC countries.

It is also a member of European Banks International (EBIC), one of the world's most active banking groups.

So it is especially well qualified to help.

In London, Amro Bank offers the following services:

Current and deposit accounts.
Commercial overdrafts.
Short and medium term lending.
Collections, documentary credits, export finance.
Guarantees.
Foreign exchange transactions.
Trade promotions.

Amro look forward to meeting you and discussing these services.

amro bank
amsterdam-rotterdam bank nv

29-30 King Street, London EC2V 8EQ
Telephone: 01-606 8833 Telex: 887139

General Manager: Mr M Sinke
Assistant General Manager: Mr D W van Leeuwen

BIDS AND DEALS

Babcock buys near 20% stake in Butterfield

The possibility of a full-scale take-over bid being mounted for Butterfield-Harvey by engineers Babcock and Wilcox left the B-H share price 14p higher at 55p yesterday. The excitement followed the news that Babcock had bought a stake of just under 20 per cent. from Sime Darby London, a subsidiary of Far Eastern traders Sime Darby, at 45⅞p per share—a price that values the deal at £1.29m. and puts a tag of £6.47m. on B-H as a whole. However, after yesterday's upsurge the market capitalisation of B-H was just short of £8m.

The attraction for Babcock, which recently failed in a take-over bid for Loughborough crane manufacturers Herbert Morris but which came away with a profit on its Morris shares of over £2m. as consolation, is that the activities of Butterfield-Harvey are seen as complementary to its construction equipment group. In particular, the municipal vehicles interests of B-H (the Shelvoke and Drewry subsidiary) are reckoned to fit—at least in terms of customers—with Babcock's own interests in the manufacture of pavers, sweepers and dumpers.

While even a full-scale bid could not be seen as major in terms of size—Babcock's turnover of £630m. in 1976 compares with £39m. in B-H's last financial year, with respective pre-tax profits of £34m. against £1.8m.—the move is reckoned by Babcock to be totally consistent with its acquisition policy. Its management said that it wants to expand into North America but that does not preclude U.K. acquisitions.

There has been a steady and deliberate move away by Babcock from the power generation industry since 1968: the last accounts pointed out that the group's involvement in this area was now only 15 per cent. of the whole business.

Mr. Tom Carlile, managing director of Babcock and Wilcox, said yesterday that "the management style of Butterfield fits in very well without own and as a subsidiary it could expect a great deal of autonomy."

The Butterfield-Harvey Board, which was informed of Babcock's purchase yesterday morning for the first time, was still in talks with Samuel Montagu, its financial advisers yesterday and is now awaiting formal invitation to merger talks from Lazards, Babcock's advisers. It is far too early to predict the outcome of any talks, though it seems unlikely that Babcock will run into the same sort of hostile opposition it encountered from Herbert Morris.

WILLIAMS HUDSON

Acceptances received by Argo Group in respect of its bid for Williams Hudson Group amount to 3,123,447 shares. During the offer period, Argo acquired in the market a total of 1,842,843 shares, which, together with the 5,772,061 shares held prior to the offer, make 10,738,351 shares (94.363 per cent.).

Acceptances of the offer for the 8¼ per cent. Convertible Loan stock amount to £83,059. Prior to the offer Argo held £100,500.

Leisure Caravans U.S. buy

Leisure Caravan Parks of Hemel Hempstead has branched out into the U.S. with a $4.7m. (£2.73m.) purchase of the Lake Arrowhead Holiday Caravan Park in South Carolina.

LCP, which owns 13 sites in the U.K. and which last year earned record pre-tax profits of £1.6m., is acquiring an 140-acre site situated on the ocean front at Myrtle Beach, South Carolina, with accommodation for some 1,200 caravans.

The vendor is Liberty Properties, a subsidiary of The Liberty Corporation, a South Carolina insurance company.

LCP will pay $1m. now, interest of $145,000 on the outstanding balance until December 31, 1977, at 8 per cent. and eight equal instalments of $618,000 until December 31, 1984.

The downpayment plus $250,000 working capital has been financed by five-year Euro-dollar borrowing from Barclays Merchant Bank at U.S. dollar LIBOR rates.

LCP has studied the U.S. leisure park industry since 1973 and has had its eye on Lake Arrowhead for most of this time. However, as it is being acquired mid-way through the 1977 holiday season, the Board warns that the new purchase will not make a contribution to profits for the year to February 28, 1978.

ISLE OF MAN INVESTMENT

Douglas Estates has acquired all the Ordinary stock in Isle of Man Associated Investment, and consequently the listing on the Stock Exchange has ceased.

The Board is conscious of the small market and capitalisation of Man Associated Investment and very little trading takes place it has requested a similar cessation of this listing. Therefore, listing will cease with effect from July 31, but a facility for dealing on the Stock Exchange in the stock will continue.

EPICURE GROUP

Lincoln Hotels, a wholly-owned subsidiary of Epicure, has acquired from the Lincoln Corn Exchange and Market, with effect from June 10, 1977, the freehold of the Queen Hotel, Lincoln, for a consideration of £80,000 in cash.

In addition, Lincoln Hotels has acquired a leasehold interest (which forms part of the Queen Hotel) of the first and second floors of numbers 321 and 322 High Street, Lincoln, a building adjoining the Queen Hotel, for a term of 28 years at a rental of £1,500 per annum (subject to seven-yearly reviews).

A professional valuation carried out by De Groot Collis, as at May 3, 1977, values the Queen Hotel and the above leasehold interest, including fixtures and fittings, at about £80,000.

The acquisition is in accordance with the Board's policy of expanding the restaurant and hotel interests of Epicure as and when suitable opportunities arise.

RACAL BUYS UP HELLERMAN

The fast growing Racal Electronics group, through its Racal-Zonal specialist tapes subsidiary, has bought the loss-making Hellerman Cassettes part of Bowthorpe Holdings for £825,000.

Hellerman Cassettes plunged into losses of £369,000 in 1975 and last year lost a further £398,000 after charging £187,000 of reorganisation costs. According to Bowthorpe, profitability was restored towards the end of last year after the company moved into the market for blank tape cassettes.

The two companies already have reciprocal trading relationships with Racal buying a considerable number of HC's plastic cassette cases and more recently in turn supplying HC with tape for their blank cassettes.

The acquisition of HC's injection moulding experience will provide Racal-Zonal with a fully integrated cassette manufacturing capability so bringing it into line with the leading companies in the field.

In addition, Racal-Zonal aims to penetrate the growing industrial and professional markets for video, data processing and sound recording tape in cassette and other convenient forms.

Bowthorpe, for its part, has increasingly concentrated lately on industrial electro-components so reducing the original compatibility of its cassettes company.

S. PEARSON

Resulting from recent transactions, Cowdray Trust now holds 5,907,568 Ordinary shares in S. Pearson and Son, the Dickinson Trust holds 7,774,834, and both trusts jointly hold 3,735,144.

PATANI PARA

In connection with Consolidated Plantations offer for Patani Para Plantations, the position at the close of the offer on July 1 was that acceptances had been received for 585,313 (61.47 per cent.) shares. The amount held prior to the offer was 261,000 (28.37 per cent.) shares.

Hestair bid for Root Harvesters

Hestair, which made an unsuccessful £6.7m. bid for Spear Jackson in January, has snapped up 39 per cent. of R Harvesters at 50p a share and making a general cash bid in offer valuing the company £1.55m.

The shares were acquired f J. F. Nash Securities, which a 27 per cent. stake and Jorehaut Holdings with 10 cent.

The offer, which is condit on Hestair getting more than per cent. of the votes, has so far brought the recomme tion of the Root Harves Board, together with immed families holding about 13 cent. of the equity. But He says that discussions are ta place on a suitable share to be recommended by directors.

Last night ahead of the the Root Harvesters share closed 1p higher at 42p. current offer price is the hi that the shares have been 1972.

In 1976, Root Harvesters pre-tax profits of £310,000 sales of £4.1m. Net asset December 31 were £1.1m. deferred tax account stoo £450,000.

Hestair believes that there be substantial industrial be from a merger of Root Harve potato harvesters and H Stanhay's seed drilling pro which are counter season Root's products.

Hestair also stresses that acquisition would be in line its policy of developing a U.K. agricultural engine group in the face of a rising of agricultural machinery im

Hill Samuel is acting for He

● comment

Hestair's last bid attempt in failure an dsome embarras so everything has been do try and make this one go smo Hestair obtained an option o large stakes, then it went t board of Root Harvesters to friendly relations were po and only then did it take plunge. The bid seems odds go through. The "industrial is there without any doubt the offer consists in the fir stance of cash so it is impo for mud to be slung at the q of Hestair's paper as happen the bid for Spear and Jac That only leaves the price values Root at £1.55m. on of 10, which is a reaso premium over the earlier and over other agricul machinery manufacturers, the 39 per cent. stake already it could well be enough.

TRAFALGAR HOU

Trafalgar House Investr has issued £834,694 of 7 per unsecured debenture stoc satisfaction of the final i ment of the consideration fo acquisition of housebuilding acquired in 1973.

Under the arrangements the vendors, Trafalgar ha purchased and cancelled £7 stock out of the £834,694 referred to at the issue pri £43.90 per cent.

Sheepbridge Engineering Ltd.

Another year of record results

Group profits up 32%

Earnings per share up 31%

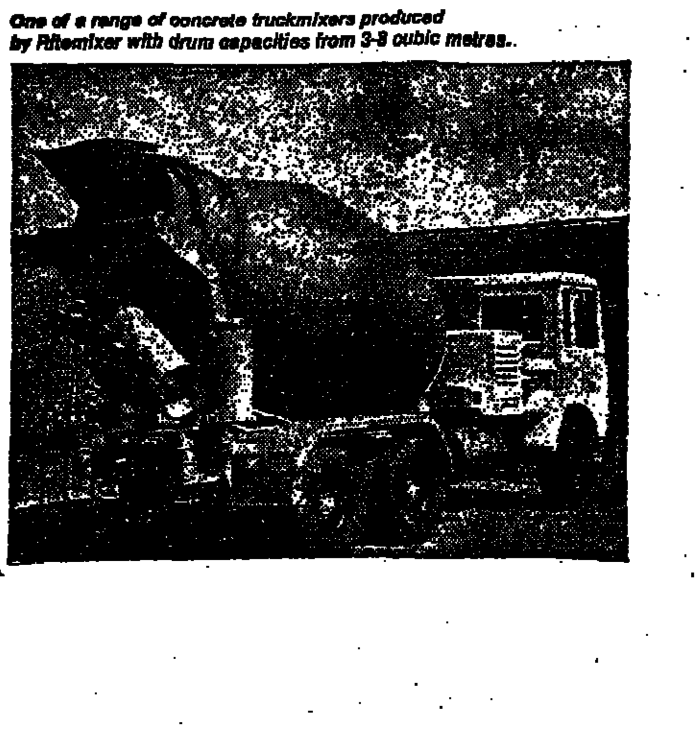
Exports up 30%

The Annual General Meeting of Sheepbridge Engineering Limited will be held on 28th July in London.

The following is an extract from the statement by The Rt. Hon. Lord Aberconway, the Chairman, circulated with the report and accounts.

The Consolidated Profit before Taxation for the year to 31st March last was £5,277,000, an improvement of some 32% over that of the previous year. The return on the capital employed at the year end was 21.7% compared with 19.1% in 1976, higher for the third year in succession.

Earnings per share increased from 6.7p to 8.8p. These results, our best ever, can be attributed partly to our policy over the years of investing consistently in new plant and machinery regardless of the general economic climate, but they owe even more to the skill and dedication of the executives and management. To them and to employees at all levels who have contributed towards making 1977 another successful year, we give our thanks. In doing so, we believe that shareholders will feel our efforts in recent years have met with success.



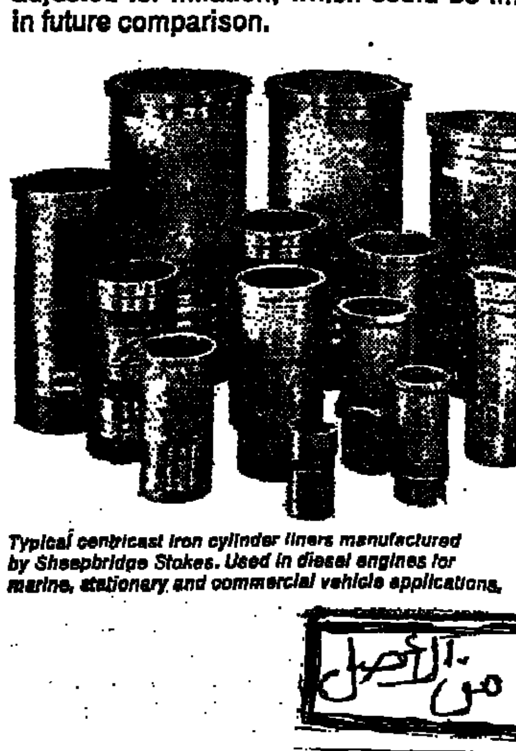
One of a range of concrete truckmixers produced by Ritemixer with drum capacities from 3-8 cubic metres.

Dividend Recommendation

The directors recommend the payment on 2nd August 1977, of a final dividend of 2.1756p per share making, with the interim dividend already paid, a total of 3.414p. The total is covered 2.6 times and represents an increase of 10 per cent. It is the maximum permitted under present Government policy. The directors further recommend that, if the Chancellor reduces the rate of income tax, and consequently of ACT (as he said he might) the extra amount which the Company will be permitted to add to the final dividend will be paid as a supplement and will, to save postage, be paid at the same time as the interim dividend for the current year which is normally paid early in January. The extra dividend will still count as part of the distribution for 1976/77 for the purpose of assessing the base upon which permitted increases in dividend in subsequent years are calculated.

There is clearly a long way to go before definitive proposals for inflation accounting are accepted. Meanwhile we see no purpose in presenting figures adjusted for inflation, which could be misleading in future comparison.

Pistons, piston rings and gudgeon pins manufactured by Automotive Engineering and Light Production.



Typical centricast iron cylinder liners manufactured by Sheepbridge Stokes. Used in diesel engines for marine, stationary and commercial vehicle applications.

Strong Overseas Order Book

The value of direct export despatches was 30% higher than in the previous year and our order book for overseas markets is strong. Indirect exports, mainly in the form of components supplied to U.K. manufacturers for incorporation in products which they sell abroad, continued to account for a big proportion of the remaining sales.

The depreciation in the value of the pound has helped in export markets, but overseas buyers are interested not only in price, but also in quality and in the ability of the supplier to keep delivery promises. We are in no way complacent, but we believe that in these respects our record is good.

Board of Directors

Mr. Tom Brown is not seeking re-election to the Board. He joined Sheepbridge Engineering Ltd. in 1949, was Managing Director from 1952 to 1973 and has been Deputy Chairman since 1967. During all this period the business expanded greatly in size and range and grew in strength and expertise. It gained a wide reputation as a manufacturer of reliable, high quality engineering products. The success of the Company in those years is a testimony to his energy and his ability. In

Twiflex hydraulic disc brake fitted to a marine propulsion epicyclic gear.

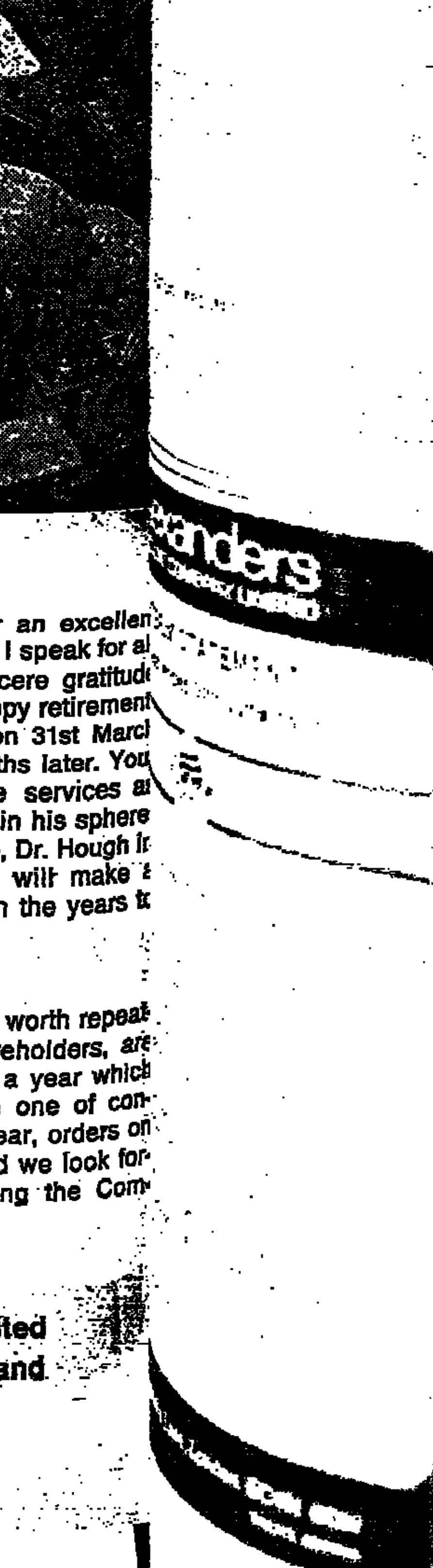
particular he chose in Mr. Gunner an excellent successor to himself. I am sure that I speak for all our shareholders in expressing sincere gratitude to Mr. Brown and wishing him a happy retirement.

Lord Sandon joined the Board on 31st March 1977 and Dr. G. H. Hough two months later. Your Company is fortunate to have the services as directors of two men each eminent in his sphere, Lord Sandon in banking and finance, Dr. Hough in a wide field of engineering. Each will make a notable contribution to our affairs in the years to come.

Prospects

I repeat what I said earlier, and it is worth repeating. Our thanks, and those of shareholders, are due to all who have contributed to a year which shareholders may well think to be one of continued progress. As to the current year, orders on hand are higher than a year ago and we look forward with confidence to maintaining the Company's advance.

Summary of Results	1976/7 £000	1975/6 £000
Sales to external customers	51,597	44,885
Group profit before taxation	5,277	4,003
Taxation	2,740	2,072
Profit after taxation	2,537	1,931
Dividends	966	878
Earnings per share	8.8p	6.7p
Dividend Cover (times)	2.6	2.1



Sheepbridge Engineering Limited
Chesterfield, Derbyshire, England

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MINING NEWS

Lang Hancock looks to the Middle East

BY PAUL CHEESERIGHT

MR. LANG HANCOCK, the Western Australian iron ore magnate, is in the middle of an overseas tour soliciting support for bringing the huge Marandoo deposit in the Pilbara to production on a small scale without waiting for an upturn in the Japanese steel industry.

The essence of Mr. Hancock's plan, as he explained it in London yesterday, is to sell 6m. tonnes of iron ore a year to planned and committed steel plants in the Middle East which will use the direct reduction process.

There are locked into a process which requires specialised ore." Mr. Hancock said. The Marandoo deposit is in a position to supply that ore.

The Marandoo deposit is owned by Mr. Hancock's company, Hancock and Wright, and the U.S. group, Texasgulf. It contains reserves of 470m. tonnes of varying grades and has plans for a 22m. tonnes per year operation.

Mr. Hancock's plan is to bring the Wittenoom Scree part of the total deposit to production at a cost of $A300m. (£200.5m.) which would include a railway to the northern Western Australian coast at Ronsard.

Mr. Hancock's present tour takes him to Singapore and an appointment with the Prime Minister, Mr. Lee Kuan Yew, next Monday. Singapore is sufficiently interested in the project to consider providing an island for the plant and a 15 years' tax holiday. But no commitment has been made.

Nor has Mr. Hancock yet received any letters of intent to purchase from the Middle East. But, he said, "We've got to convince people to look at the market in three years' time." He anticipates that then there will be a shortage of iron ore.

It would take three years to start shipping out Wittenoom ore, Mr. Hancock thought. But the development of Marandoo on any large scale still depends on Japanese steel mills turning a letter of intent to purchase into a contract.

When this might happen is uncertain, but Texasgulf is attempting to harden interest in the project in the face of competition for development finance from the Gold Fields group's Mount Goldsworthy operation.

S. AFRICA COAL PLANS OF BP

AFTER having announced plans last year to spend R373m. (£251m.) in South Africa over the next five years, British Petroleum has exercised one of its most important coal options there, reports our Johannesburg correspondent.

The British company is to acquire a 50 per cent. interest in coal reserves belonging to the Kanhym Investments farming concern for R4m. (£2.67m.), over the next six months BP and Kanhym will study the feasibility of exploiting the coal reserves which have been expanded into a substantial block by the addition of some ground already controlled by BP.

Of the total R373m. anticipated for investment, BP has earmarked about R200m for coal, and appears to envisage development of three collieries. The first of these, Ermelo Mines, is a joint venture with Total and Trans-Natal, General Mining's coal arm. This will be operational towards the end of 1979 and will export 3m. tons of coal annually through the new port of Richards Bay in Natal.

The venture with Kanhym, centred in the Middelburg area of the Transvaal, will be the next development. It is expected to be an opencast operation and BP has already had preliminary discussions with McAlpines, which has an existing colliery project with Trans-Natal, as to the optimum methods of mining. The possibility that General Mining or TransNatal will become involved in another venture with BP cannot be excluded, as General Mining's subsidiary, Union Corporation holds an interest of 29 per cent. in Kanhym.

Utah runs into union row

WORK HAS halted at the $A250m. (£167.1m.) Norwich Park coal mine in Queensland, following a row between the majority shareholder, Utah Development, and trades unions. Utah has instructed the construction managers, Fluor Australia, to defer the award of further contracts and to stop buying supplies until there is a settlement.

The dispute is over the manning of vessels to carry the coal from Queensland to Europe. The Australian Seamen's Union is demanding that Australians should man the eight vessels involved. But Utah believes that the extra cost of replacing the Spanish crews would make Norwich Park coal uncompetitive.

Our Sydney correspondent reports that the unions have been angered by the decision to stop construction work and that others might be drawn into the dispute.

The Queensland Premier, Mr. Bjelke-Petersen, has meanwhile backed Utah, saying he was 100 per cent. behind the company. He is reported to be thinking of seeking the deregistration of the Seamen's Union.

Norwich Park is due to start production late next year. It is designed to produce 4.5m. tonnes of coal a year with a permanent workforce of 550.

Seltrust smiles

FOLLOWING the bigger than expected 72 per cent. upsurge in profits for the year to March 31, Selection Trust is clearly set for another satisfactory year. But, as suggested in this column last month, the key to any fresh major fillip to earnings in 1977-78 must be a year of relative industrial peace at the big Mount Newman iron ore operation in Western Australia.

In his statement with the annual report of the U.K.-based mining finance house the chairman, Mr. A. Chester Beatty, makes the point that financing problems for the group's new mining ventures are now largely overcome.

By the end of 1978 the long-life Agnew nickel deposit in Western Australia; the expansion of the K/13 North Sea gas discovery; and the Unisel gold mine in South Africa should all come on stream. Also there may well be plans to develop the Detour base-metal find in Canada.

Meanwhile, the modest size Teutonic Bore base-metal deposit in Western Australia is being evaluated as a possible open-cast operation and has provided valuable geological information regarding similar deposits in the area.

Standing confident at the helm of one of the more successful mining finance houses Mr. Beatty allows a touch of humour in his remark that: "It has been said that exploration successes would themselves be an embarrassment to us, due to the difficulties of financing development.

"If this be so, we in Selection Trust are prepared to live with this type of embarrassment because we are in no doubt that when the demand for metals improves many of the finance problems will evaporate."

He knows very well that in due course. "those who have had the confidence to invest in mining and treatment capacity will be in a position to reap the potential benefits." Although metals are temporarily cheap, the cost of establishing new mines is rising all the time.

Uneasy peace at Mt. Newman

COMPANY OFFICIALS of Mount Newman Mining, the big Western Australian iron ore mining complex which is owned by Broken Hill Proprietary, CSR, Amax, Selection Trust, C. Itoh and Mitsui, maintain that they have broken the 32-day strike that has cost the company an estimated $A1m. (£0.64m.) per day.

Our Perth correspondent reports that workers at the Port Hedland operations were told at the week-end that jobs would be available for those who wanted to work. Those that did not would be considered to have ended their employment. Workers who failed to respond to the back-to-work call would lose the considerable service benefits they had accrued if they chose later to return to work.

The company estimated it had the support of 800 of the 1,200 employees, but by mid-day yesterday only about 200 workers had broken the picket lines. In Perth meanwhile, senior commissioner Eric Kelly was hearing a wage and conditions claim, and the company has undertaken to abide by his decision.

The confrontation came after Mount Newman workers had disputed 30 points in an agreement submitted by the company to the nine unions involved. Because the company sees the main issue—going beyond wage indexation guidelines—as non-negotiable, it refused to meet the unions in their claims.

However, the Mount Newman action is generally regarded as a hard-line response as justified as it may be in the light of union tactics. If such a confrontation is inevitable, then the current period is the best climate politically for it to occur, from the company standpoint.

West Australian union leaders have made it clear that they have intended to mount a campaign of militancy against employers once an economic upturn eventuated. Instead, the conflict has come during the continuing slump, and the Pilbara unionists—regarded in the main population centres as an affluent group largely insulated from recession—have won little main-stream support.

WARREN IN NEW GUINEA

Warren Plantations and the Government of Papua New Guinea announce that Warren and Sipef of Antwerp have jointly been awarded the management contract for the further development of the estate of Hargy Oil Palm Pty, on the island of New Britain.

This consists of approximately 5,000 acres of oil palms of which some 4,400 acres have already been planted and is linked with a smallholders scheme in which approx. 9,900 acres is scheduled to be under oil palms.

Hargy will build a palm oil mill to process fruit from both the estate and the smallholders. Warren and Sipef have each agreed to subscribe for [illegible] 25 per cent. of the [illegible] Hargy with the Government [illegible] taining a 50 per cent. interest.

£52m. Beecham spending plans

CAPITAL expenditure commitments and authorisations at Beecham Group amount to £52.1m. (£17.8m.), according to the directors' report.

This increased expenditure programme includes a major expansion of the group's pharmaceutical research facilities in the U.K. at a cost of more than £10m. over the next three years, additional investment in U.K. pharmaceutical manufacturing facilities, and the building of a new pharmaceutical factory at a cost of £18m. It also includes the first stage of a plan to spend £35m. in the U.K. on modernising and raising the capacity of the Group's food and drink production and distribution facilities.

In 1976-77 capital expenditure totalled £29m. excluding acquisitions, the greater part of this was located in the U.K. and this will remain the pattern for the immediate future unless official policy compels the company to change course, says Mr. G. J. Wilkins, chairman.

He tells members that he is confident that Beecham will continue to achieve its long-term objective of a significant measure of real annual growth.

As reported on May 20, pre-tax profit for the year to March 31, 1977 rose from £91.2m. to £126.8m. on group sales ahead from £566.6m. to £720.8m.

Though U.K. margins improved slightly they are still far below the level necessary to produce an adequate return on capital, says the chairman.

Meeting, Royal Garden Hotel, W., July 27 noon.

EQUITY & LAW LIFTS BONUS

The Equity and Law Life Assurance Society has increased its rates of bonus on individual life contracts as from July 1. The interim rate of reversionary bonus on whole life and endowment assurances has been lifted by £0.25 per cent. to £4.00 per cent. per annum of the sum assured and attaching bonuses. Terminal bonuses, payable on death or maturity claims has been increased from 10 per cent. to 15 per cent. of attaching bonuses.

The company has kept its reversionary bonus rate unchanged since 1973 and the increase in terminal bonus comes after a long period of being held at the 10 per cent. level. At the beginning of 1974 it was reduced from 27½ per cent. These latest increases reflect the improvement in the stock market over the first half of the year.

Capital & County Laundries

Turnover of Capital and County Laundries for the 27 weeks to April 2, 1977, was £1.02m., compared with £0.89m. for the previous 26 weeks, and taxable profit improved from £22,342 to £43,222. Tax takes £23,316 against £11,722.

Earnings per 10p share are shown ahead from 0.53p to 1.37p.

The directors report that trading to date has continued satisfactory and if the improvement is maintained, pre-tax profits for the year in the region of £150,000 should be achieved.

Last year's profit was £104,708, well down on the record £230,539 for the previous year, and a dividend of 1.393p net was paid.

SHARE STAKES

British Electric Traction: Eagle Star Group has acquired 40,000 BET 8 per cent. non-cumulative Preference Ordinary shares and now hold 100,000 shares 7.54 per cent.

Cornercroft: Mr. D. How holds 125,000 Ordinary shares 15 per cent.

Nottingham Manufacturing: Prudential Group now holds 3,631,645 Ordinary shares 17 per cent.

MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 8 per cent. (since May 13, 1977)

Day-to-day credit was in slightly short supply in the London money market yesterday, but conditions were generally not as difficult as first expected. The call on Exchequer 9½ per cent. 1982 was by far the largest adverse factor, and the market was also faced with a small increase in the note circulation. These were almost balanced however by the very large surplus balances carried forward by the banks and some maturing Treasury bills held by the discount houses.

In order to relieve a slight overall shortage the authorities bought a small amount of Treasury bills from the houses.

Discount houses paid 7½-7¾ per cent. for secured call loans in the early part, and closing balances were taken at 4-5 per cent.

In the inter-bank market overnight loans commanded 7½-7¾ per cent. at the start, and touched 7½-7¾ per cent. in places, before easing sharply towards the close to 4-5 per cent.

Rates in the table below are nominal in some cases.

July 4, 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	4-7½	—	7-7½	—	—	7⅝	4-7¾	—	—	—
2 days notice	—	—	—	7½-7¾	—	—	—	—	—	—	—
7 days or 7 days notice	—	—	6½-7⅜	7½-7¾	—	—	7½	7-7¾	—	—	—
One month	7¼-7⅛	7¼-7⅛	7-7⅝	7½-7¾	8¼-8⅛	7¼-7¾	7¾	7⅛	7¼-7½	7¼-7⅛	8-8¾
Two months	7¼-7⅛	7¼-7⅛	7-7⅝	—	8¼-8⅛	7½-8¼	—	7¼-7⅜	7⅛-7⅝	7¼-7⅜	8¼-8¾
Three months	7½-7⅝	7½-7⅞	7½-7⅞	7⅞-7⅞	8¼-8⅛	8 8⅛	—	7⅝	7⅛	7⅞	8⅛-8⅝
Six months	8⅛-8¼	8⅛-8⅛	8⅛-8⅛	—	8¼-8⅛	8⅞-9⅛	—	—	—	—	—
Nine months	9⅛-9⅛	9⅛-9⅛	—	—	10-9⅞	9⅝	—	—	—	—	—
One year	9⅛-9⅛	9⅛-9⅛	—	9⅞-10	10-9⅞	10¼	—	—	—	—	—
Two years	—	—	—	11⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12¾ per cent.; four years 12¾-13¼ per cent.; five years 13¼-13¾ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7⅞ per cent.; four-month trade bills 8¾ per cent.

Approximate selling rate for one-month Treasury bills 7¼-7⅜ per cent.; two-month 7⅜ per cent.; and three-month 7⅝ per cent. Approximate selling rate for one-month bank bills 7½-7⅝ per cent.; two-month 7⅜ per cent.; and three-month 7¾-7⅞ per cent.; one-month trade bills 7⅞-8¼ per cent.; two-month 7⅞-8¼ per cent.; and also three-month 8-8½ per cent.

Finance House Base Rate (published by the Finance Houses Association) 8 per cent. from July 1 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 4 per cent. Clearing Bank Base Rate for lending 8¼ per cent. Treasury Bills: Average tender rates of discount 7.4302 per cent.

Highams chief not pessimistic

Despite the adverse effect on market buoyancy of the pressure on disposable incomes, the directors of Highams, the Lancashire textiles group, will do all they can to continue the trend of improving profit. Mr. W. M. Higham, the chairman, says. He adds that he is not pessimistic.

In spite of considerably increased raw material costs and the general inflationary conditions, the company has been able to contain the additional demands for working capital, Mr. Higham says.

The increased profit in the sheeting and blanket divisions is encouraging in view of the fierce competition faced during the past year, he adds.

The spinning activities all had a difficult year with lower contributions to group profit, but some reorganisation and capital expenditure are now being implemented, *members are told.*

In the clothing division, the steps taken to reorganise Standards have proved very successful and the company has made a significant move forward in production methods and turnover, Mr. Higham adds. This has resulted in a greater contribution to group results.

The results from Kamella are disappointing, providing only a small contribution.

Men's suits have not had a particularly good year, but Leslie Blass has held its head well above water in what has been one of the most difficult years of trading it has experienced.

With Lawson Phillips ceasing to exist as a trading entity, its production facilities have been taken over by Skol, which had another very successful year, gearing itself to adapting speedily to the ever-changing fashion markets.

As reported on June 14, group pre-tax profit rose from £704,291 to a record £922,077 for the year to April 2, 1977. The net dividend *total is lifted from 2.5p to a maximum* permitted 2.75p a share.

So far as is known, Courtaulds holds 24.99 per cent. of the issued share capital, and Gerald Phillips 9.26 per cent.

The statement on source and application of funds shows that the net inflow on trading during the year rose from £409,000 to £483,000 and the net outflow on financing from £396,000 to £434,000. The decrease in the bank overdraft improved from £13,000 to £49,000.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AUSTRALIAN NEWS

ICI Australia to raise $A59.5m.

BY JAMES FORTH

SYDNEY, July 4

ICI AUSTRALIA plans to raise $A59.5m. through a rights issue — its first approach to shareholders for funds since 1965. It is one of the largest equity raisings in Australia, overshadowed only by Broken Hill Proprietary Company's $A98m. late last year. However, only $A22.5m. has to be found by Australian investors. The rest will be put up by the 62 per cent. shareholder ICI of the U.K., which has signified that it will take up in full its $A37m. entitlement.

Shareholders will receive two new shares for every five held. The issue price is $A1.50 a share, which compares with today's closing market price of $A1.95.

ICI is not the first major industrial group to break the equity issue drought. Australian Consolidated Industries, the major packaging group, announced a $A21m. rights issue about two weeks ago after a break of almost nine years. ICI directors said the funds from the cash issue would be employed in the planned expansion of the company's operations in Australia, including the recently announced $A60m. polypropylene plant in Sydney and the $A37m. polyvinyl chloride plant in Melbourne. However, observers suggest the group would not have needed to seek equity funds of this magnitude merely for capital expansions of around that size. The issue will considerably enhance the group's gearing ratio and clear the way for much larger borrowings if needed at a later stage.

ICI has for some time been studying the possibility of building a $A200m. ethylene plant at its Sydney petrochemical complex. It has become something of a race as two other groups, Esso-Mobil and Dow Chemical of the U.S., are also considering ethylene crackers. The domestic market can only support one new plant at a time. If ICI goes ahead with this venture, it would almost certainly need large borrowings.

The cash issue is payable in two instalments of 75c, on or before September 23 and on or before March 31, 1978. The directors expect the company will pay a dividend of at least 14c a share on the higher capital, which compares with 13c in 1975-1976. This would require extra profits of at least $A5.5m. a year to service the dividend requirement.

Last year ICI earned $A21.5m. and in the first half of the current year increased earnings 53 per cent. to $A14m. The interim dividend was lifted from 5c to 6c a share.

The Australian shareholder portion of the issue is underwritten by local sharebroking firm, Potter Partners. Rights trading will start on August 1 and entitlement and acceptance forms will be posted about August 15.

Australian Mining and Smelting deal

AUSTRALIAN MINING and Smelting, the silver, lead, zinc mining and refining arm of Conzinc Riotinto of Australia, itself controlled by Rio Tinto Zinc Corporation of the U.K., is buying a second zinc smelter in the U.S. for $U.S.10m.

AM and S has bought the issued capital of Pacific Smelting Company which operates the U.S. smelter. AM and S will put up half the funds with the remainder provided by U.S. banks.

The smelter, small by international standards, is in California, and has an average annual capacity of 40,000 tonnes of zinc scrap feedstock, which is recycled to produce zinc oxide, zinc dust and zinc metal.

In addition to its major Australian operations the company has a half interest with Billion in an electrolytic zinc smelter at Budle in the Netherlands.

Pacific Smelter, which also sells some primary zinc metal and cadmium, will be operated as a continuing business under existing management.

Gadsden bids $16.4m. for Cons. Foods

PACKAGING group J. Gadsden Australia is bidding $A16.4m. to acquire milk and dairy foods group, Consolidated Foods. The bid was no surprise as the companies recently announced that they were holding takeover negotiations. Gadsden, which has been looking for diversification avenues, has offered a straight share swap or a cash alternative.

The share offer is one Gadsden share for every two Consolidated Foods shares. This is worth 90 cents a share or $A16.4m. on Gadsden's closing market price to-day of $A1.90. The cash alternative is 85 cents for each Consolidated Foods share. The shareholding in Consolidated Foods is spread with the top 20 shareholders, mainly institutions, owning about 30 per cent. Gadsden does not yet hold any Consolidated Foods shares.

William Adams lifts profit

WILLIAM ADAMS AND CO., steel aluminium merchant, manufacturer and distributor of Caterpillar earthmoving equipment, boosted earnings 22 per cent. from $A2.6m. to $A3.2m. in the year to April 30. The final dividend is 8.5c. a share, lifting the payout for the year to 15c. Last year the company paid 14c. and in 1975 13c. The increase was achieved on a 23.6 per cent. rise in sales to $A99.5m., but profit margins edged back from 3.3c. to 3.2c. in the dollar.

The directors said that despite the cutback in Government spending, which affected sales of earthmoving machinery, the number of Caterpillar machines sold in the company's franchise areas had risen.

The metal merchant subsidiary had to cope with lower demand for steel, but aluminium sales remained strong. This year the company is again budgeting for a record profit in the current year.

Last year William Adams was involved in a short-lived takeover struggle with engineer, Comeng Holdings.

Pilkington ACI back in profit

BY OUR OWN CORRESPONDENT

SYDNEY, July 4.

PILKINGTON ACI, Australia's only manufacturer of flat glass, returned to the earnings lists in the year to March after two years of heavy losses. The company reported a net profit of $A.5.3m. after losses of $A.4.55m. in 1974-75 and $A.450,000 in 1975-76.

However, directors warned that the company was in for a bad time in the current year as both its major markets, the building and automotive industries, were far from buoyant.

The improved result follows rationalisation moves, including the closure of the company's sheet glass plant in Sydney to enable greater utilisation of the more modern float glass operation in Victoria.

Directors pointed out that despite the improvement in profitability, almost all the operating profit had been absorbed in increased working capital, partly due to inflation but also to a considerable increase in stocks.

The result followed a lift in sales from $A49.5m. to $A66.9m. Pilkington ACI is owned jointly by Australian Consolidated Industries and the U.K. Pilkington Brothers Group.

CII policy change an abdication critics claim

By David Curry

PARIS, July 4.

THE DISMANTLING of the prototypes of a new generation of large computers designed by the French company CII before its merger with Honeywell-Bull has sparked off a new debate about American domination of this sensitive industry.

The decision, taken by the merged CII-Honeywell-Bull, is being attacked as an abdication from the market for large computers by the French majority-owned concern which leaves the sector dominated by IBM and by Honeywell, the American partner in CII-Honeywell-Bull.

The criticism of the CII-Honeywell-Bull decision to concentrate on the medium-powered P7G system has provoked a sharp rejoinder from the company. Chairman, M. Jean-Pierre Brule, insists that the P7G, which will be available in four years time, will be the basis for computers far in excess of the capacity of the current range.

He also denies that clients of CII will have to look to Honeywell for new computers because of the abandonment of successors to present CII machines.

The decision to merge CII with Honeywell-Bull and opt for association with American technology rather than run in competition was a sharp about-turn by French authorities. The previous choice had been the association of CII with Philips of Holland and Siemens of Germany in the Unidata Consortium which would have produced a range of European computers to challenge the Americans.

When CII was pulled out of Unidata in 1975 to be joined with Honeywell-Bull in a company in which Honeywell had a 47 per cent. stake, CII brought with it its work on very large computers begun with Unidata.

Although it was promised that work on these models would continue, their development costs and incompatibility with Honeywell products made them vulnerable to rationalisation of the product range of the merged companies, and it is likely that pressure from CII users and the Government kept the project alive.

The development of the sophisticated P7B medium-powered machine subsequently modified to the P7G which CII saw as being capable of diversification to cover a wide field of uses clinched the fate of the large computers, particularly as the company could point to the need to keep research costs down if it was to hit financial targets.

Opponents of this strategy argue that the P7G will face severe competition from "de-rated" big computers and beefed-up mini-computers.

M. Jean-Pierre Brule says the company now offers two big computers to customers, the Honeywell-designed 66 and the IRIS-80 from the CII stable. It was developing more powerful products compatible with both these systems.

Swedish Match opens 1977 with heavier losses

BY WILLIAM DULLFORCE

STOCKHOLM, July 4.

THE Swedish Match Group reports a loss of Kr.14m. (£1.86m.) before extraordinary items for the first four months of this year. Sales decreased by 1 per cent. to Kr.1.42bn. (£188m.) compared with the corresponding period last year.

The loss is Kr.13m. greater than that for the first four months of 1976. It also represents a sharp setback from a relatively strong performance during the last four months of 1976, when a loss of Kr.4.4m. at the eight-month stage was transformed into a Kr.56m. pre-tax profit for the year as a whole.

The earnings fall was foreshadowed by the outgoing managing director, Mr. Rolf Deinoff, in the 1976 annual report when he warned that earnings this year would be held back by the costs of restructuring and consolidating the group. He said the fight to ward off the takeover bid from the KemaNord chemicals group at the beginning of this year had delayed the reorganisation process.

The Kr.14m. loss is struck after depreciation at replacement cost of Kr.62m. The interim report says a new basis for estimating depreciation will be introduced in the final 1977 report, as the principles now applied give too high a figure for a realistic evaluation.

The improvement in the marketing situation for board, packaging and cardboard products during the first four months was not enough to make up for the continuing high restructuring and development costs in the furniture and lighter fields. Low capacity utilisation in the machinery division has also strongly affected earnings.

The interim report gives no sales or earnings breakdown but promises one in the eight-month report. It confirms, however, that Swedish Match still spends heavily on the West German Kübel furniture operation, which is being cut back. These costs will continue through the second half of the year.

The building components and the rest of the interior products divisions increased sales and beat their profit targets, while the losses on the board division were reduced.

The Match division continues to show good profitability. The start-up problems in production of the new lighter range, coupled with the market investment resulted in heavy losses. After the sale of the Dutch Halbertsma concern the Eurodoor division has been reduced to two production units in France.

Investment in plant and machinery were Kr.56m. against Kr.79m. in the first four months of last year and working capital rose by Kr.60m. compared with Kr.57m. Cash and disposable bank holdings at the end of April were Kr.318m.

TREND INVEST, a fund management company active on the Stockholm Stock Exchange since 1973, applied for bankruptcy proceedings over the week-end after a provincial bank, Wermlandsbanken, had called in a Kr.12.5m. loan.

Swedish newspapers estimate that 400 private shareholders have lost some Kr.300m. (£40m.) on the funds they placed with the company. The figures have not been denied by Trend Invest.

Mr. Erland Holmlund, managing director, said his company's position had been affected by the Government's economic policy.

"We had hoped after a change of Government to a policy providing for higher company earnings, thereby encouraging the will to invest. Unfortunately, that did not happen," he said. He also blamed competition to his company from … Swedish business.

Trend Invest's failure is the first of its kind in Sweden, at least in the post-war period. It follows shortly after the bankruptcy since the 1930s of a stock exchange company, … Textile Concern.

Trend Invest placed the … of its customers' funds in selected shares, notably in Fagersta Steel, … Uddeholm, the steel and … industry conglomerate, the … Pulp and Paper Company … Gränges, the heavy … group.

To begin with after 1973 shares rose substantially … value and further investment … the same shares were made … loans taken against the … of the existing shares.

Over the last year, as the … sion hit hard at the steel … and even some paper com… the share prices of these … panies tumbled. Trend I… guarantee, plummeted as … income from its own sha… ings in relation to its b… The Swedish Shareh… Association has … Inspectorate to investi… tions for borrowing on … holdings.

Volkskas' improved profits

BY RICHARD ROLFE

JOHANNESBURG, July 4.

THE AFRIKANER group Volkskas, which is the third biggest bank in South Africa after Barclays National and Standard, increased net operating income, before provisions, from R14.1m. to R16.2m. in the year to March 31 and paid a dividend of 20c against 19c the year before.

Advances rose from R859m. to R916m. and deposits from R1.7bn. to R1.8bn. This compares with Standard's recently announced figures of R1.9bn. and R2.7bn. respectively.

Barclays National, whose year ends September 30, showed advances of R2.1bn. and deposits of R3.2bn. at this date last year, making it the biggest of the local big three.

Volkskas, which handles a good deal of municipality and state funds, is a very conservatively managed group, and its exposure to the beleaguered property sector is slight. However, the report does record that its loans to the township developer van Achterberg, now in liquidation, were R15m., though it is optimistic that "no loss of capital is expected over the long term."

Volkskas has long had links with the life group Sanlam which formerly held 25 per cent. of Volkskas. Sanlam recently, through its associate Bankorp, acquired the Trust Bank which could herald heightened competition between the two.

Sanlam has sold its Volkskas stake down to 10 per cent., the balance of the shareholding having passed to the Rembrandt tobacco and wine group, which has become Volkskas' largest shareholder.

However Rembrandt will have little influence over Volkskas whose latest report states that the shareholding "Does not give the Rembrandt group the right of representation on the Board." The possibility that Rembrandt is holding Volkskas as a warehousing operation whose purpose has not yet been made clear cannot be excluded.

Upturn from Lion Match

TWO SOUTH African subsidiaries of U.K. groups have done well against the trend, according to their latest reports, but both expect tougher trading conditions in the current year.

Lion Match, 60 per cent. controlled by Wilkinson Match, runs match factories in Malawi, Mozambique and Rhodesia in addition to South Africa. Its sales were R31m. for the 15-month period to March 31 and pre-tax profits, at R4.5m. were 8 per cent. up on the previous period. Earnings per share were 25C and dividends totalled 19C, or 15.2C per share, which puts the shares, at 125C, on an annualised yield of 12.2 per cent.

Lion Match sales, adjusted for inflation in consumer prices, have been static for several years, and to beat this, the group has diversified into disposable lighters which are growing at 30 per cent. annually.

In addition, Lion is seeking acquisitions in the area of fast-moving disposable products, like its recent purchase of the South African assets of Wilkinson Sword. Lion is budgeting for comparable profits in 1977-78.

Eveready South Africa, 64 per cent. controlled by Ever Ready U.K., has rounded off two years of rapid growth with a rise in trading profits from R5.3m. to R7m. for the year to February 28, 1977. The local company keeps its performance details under wraps, not showing a turnover figure or even a turnover index, nor a five-year record, details of subsidiaries or of its product lines, which include flashlight bulbs and lamps in addition to batteries.

The chairman says that s… the current year show an in… and hopes that profits wi… in line with increased sales… balance sheet shows consi… strength, with no long term… a strong current asset rat… cash flow of R6.6m. last… Earnings were 41C and div… 11.5C, so the shares, at 14… only 10 per cent. below… high, yield 8.2 per cent.

Thomson Bra…

PARIS, J…

THOMSON BRANDT SA… vest Frs.300m. in plant … next three years in ad… its existing Frs.700m… gramme, a company spo… said, reports Reuter.

It will spend around F… on setting up a continuous casting works at … North-East France, he ad…

The plant will have a c… of 120,000 tonnes per ye… will begin operations … 1978, creating about 400 jo…

Migros loan strikes success

By John Wicks

ZURICH, J…

FOLLOWING the success … first medium-term deb… loan with customers, the … retail organisation Migros … vestigating the possibil… issuing more loans of the … type. The first debenture … totalling Sw.Fr.30m. … customer members of the … Co-operative, who paid Sw… each for Sw.Fr.1,000 bo… repayment on June 30… The bonds, which ha… cent., were sold out in a… of hours in Migros branc…

Demand for DM bonds grows

By Francis Ghilès

THE DOLLAR was quoted at its lowest for 27 months in Frankfurt yesterday as the movement into Deutschemark bonds which had been gathering momentum last week continued. This fuelled rumours that the DM50m. bond for Minolta and the DM300m. bond for Norway would both have their coupons cut from the indicated 6 per cent. Last week Grand Metropolitan was able to cut the coupon on its DM60m. bond to 7 per cent.

In the dollar sector the market was buoyant. The $40m. convertible for Mitsubishi Corporation due 1992 and carrying a 6 per cent. coupon was priced at par yesterday. The conversion rate is Y2.67 to the dollar. Lead managers of the issue are Morgan Guarantee and Swiss Bank Corporation. The Canadian dollar market was quiet.

Cockerill still in loss

LIEGE, July 4.

COCKERILL S.A. continued to operate at a loss in the first half of 1977 after producing losses in 1975 and 1976, Julien Charlier, general manager of the major Belgian steel company says, reports AP-DJ.

In an interview with Le Nouveau Cockerill, the company's monthly magazine, Charlier said he is not satisfied with the results of the company so far this year.

The continued losses were ascribed by the general manager to the general crisis on the European steel market and to insufficient productivity within the Cockerill Group.

Charlier specifically noted that during the first five months of this year there had been 193 work stoppages at Cockerill, losing the company exactly 16,893 working days.

Charlier didn't state Cockerill's half-year losses. In 1976, the company had a loss of B.Frs.1.92bn., down from a 1975 loss of B.Frs.3.94bn. in 1975.

Commenting on reports earlier this year which suggested that Cockerill and other steel making units in the French-speaking Walloon area of Belgium should be nationalised, Charlier said the necessity for Cockerill to return to profitability, adding that he doesn't see a general disposition within Belgium for such a nationalisation.

The magazine also reported that Cockerill's May steel production, at about 500,000 metric tonnes, was up 3.5 per cent. from a year ago with deliveries of steel products in May up 9 per cent. from April.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8½pc 1989	100½	101¼
Australia 8½pc 1991	103½	104½
Australian M. & S. 9½pc '92	101	101½
Bowater 9½pc 1992	102½	103½
Can. N. Railway 8¾pc 1986	101½	102½
Credit National 8½pc 1986	99	99½
Denmark 8½pc 1984	102½	103
ECS 9pc 1993	102½	103
EIB 9½pc 1992	101	101½
EMI 9½pc 1989	102	102½
Ericsson 8½pc 1989	100½	101½
Esso 8pc 1986 Nov.	104½	105½
Gt. Lakes Paper 8½pc 1984	100½	101
Hamersley 9½pc 1992	103½	104½
ICI 8½pc 1987	99½	100½
ISE Canada 9½pc 1986	105½	106½
Macmillan Bloedel 9pc 1992	101	101½
Massey Ferguson 9½pc 1991	104½	105½
Michelin 9½pc 1988	103½	104
Midland Int. Fin. 8½pc 1986	101½	102½
Nat. Westminster 9pc 1986	103	103½
Newfoundland 9pc 1989	102½	102½
Norges Kom. Bk. 8½pc '92	99½	100
Norpipe 8½pc 1989	101½	102
Norsk Hydro 8½pc 1992	99	99½
Oslo 9pc 1988	102½	103½
Ports Autonomes 9pc 1991	100½	101½
Prov. Saskatch. 8¾pc 1986	102½	103
Quebec Hydro 8½pc 1986	100	100½
Reed Intntl. 9pc 1987	101	101½
Skand. Enskilda 9pc 1991	101½	102½
SKF 8pc 1987	96	96½
Sweden (K'dom) 8½pc 1987	98½	99
United Biscuits 9pc 1989	102½	103
Volvo 8pc 1987 March	97½	98
NOTES		
Australia 8½pc 1983	103½	104½
Bell Canada 7¾pc 1987	100½	101½
Br. Columbia Hyd. 7¾pc '85	97½	98½
Can. Pac. 8½pc 1984	100½	101½
Dow Chemical 8pc 1986	103½	104½
ECS 7¾pc 1982	98½	99
EEC 7½pc 1982	98½	99
EEC 7¾pc 1984	97½	98
Enso Gutzeit 8½pc 1984	95	95½
Gotaverken 8pc 1982	101½	102
Kockums 8pc 1983	100½	101½
Michelin 8½pc 1983	101½	102
Montreal Urban 8¾pc 1981	101½	102½
Nfl. Coal Board 8½pc 1981	101½	102½
New Brunswick 8pc 1984	98½	99½
New Bruns. Prov. 8¾pc '83	102½	103½
New Zealand 8½pc 1986	101½	102
Nordic Inv. Bank 7¾pc 1984	97½	98
Norway 7¾pc 1982	98	98½
Ontario Hydro 8pc 1987	100½	101
Singer 8¾pc 1982	102½	103½
S. of Scot. Elec. 8½pc 1981	100½	101½
Sweden (K'dom) 7¾pc 1982	99	99½
Swedish State Co. 7¾pc '82	99	99½
Tenneco 7¾pc 1987	96½	97½
Volkswagen 7¾pc 1987	98½	99½
D-MARK BONDS		
Austria 6½pc 1985	102½	103
BFCE 7pc 1987	101½	102
Denmark 6½pc 1983	100½	101
EIB 6½pc 1984	101½	102½
ICI 7½pc 1986	102½	103½
Kobe (City) 6½pc 1987	99	99½
Norsea Gas 7pc 1989	100½	101½
Norsk Hydro 6½pc 1989	99	99½
Norway 6½pc 1982	102½	103
Shell 6½pc 1989	103½	104
Sweden 6½pc 1984	100	100½
Voest 6½pc 1989	99	99½
World Bank 6½pc 1987	98½	99½
FLOATING RATE NOTES		
Bk. of Tokyo Hdg. '81 6¾pc	100½	101½
BFCE 1983 6¾pc	99½	99½
BNP 1983 6 1/16pc	98½	98½
CCF 1983 7pc	100½	100½
CGMF 1984 6 15/16pc	97½	98½
Creditanstalt 1981 7pc	100½	101
Credit Lyonnais 1982 6½pc	99½	100½
DG Bank 1982 6½pc	99½	99½
GZB 1983 6pc	98½	98½
Intl. Westminster 1984 6pc	98½	99
Lloyds 1983 7¾pc	101	101½
LTCB 1981 6½pc	98½	99½
Midland 1982 8pc	102½	103
Midland 1987 6 9/16pc	98	98½
OKB 1983 6½pc	99½	99½
SNCF 1983 6½pc	95	95½
Stand. and Chrtrd. '84 6½pc	98½	99
Wms. and Glyns 1984 6½pc	99½	100
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¼pc '87	89½	90½
Ashland 5pc 1988	97	99
Beatrice Foods 4½pc 1992	98½	100½
Beatrice Foods 4⅞pc 1992	108½	110½
Borden 5pc 1992	108½	110½
Broadway Hale 4½pc 1987	83	84
Canon Camera 7pc 1989	103	
Carnation 4pc 1987	88	90
Chevron 5pc 1988	130½	132½
Dart 4¾pc 1987	84½	86
Eastman Kodak 4½pc 1988	94½	96
Economic Labs. 4½pc 1987	81	83
Fed. Dept. Stores 4½pc '85	99	101
Firestone 5pc 1988	80½	81½
Ford 6pc 1986	100½	101½
Ford 5pc 1988	90½	91½
General Electric 4½pc 1987	93	95
Gillette 4½pc 1987	80	82
Gould 5pc 1987	109½	111
Gulf and Western 5pc 1988	[illegible]	[illegible]
Harris 5pc 1992	190½	192½
Honeywell 6pc 1986	91	93
ITT 4½pc 1987	83½	85
Komatsu 7½pc 1990	105	107
J. Ray McDermott 4¾pc '87	167½	169½
Mitsubishi Elec. 7¾pc 1991	137	139½
Mitsui 7¾pc 1990	105½	107½
J. P. Morgan 4½pc 1987	102½	104½
Nabisco 5½pc 1988	103½	105½
Owens Illinois 4½pc 1987	121	123
J. C. Penney 4½pc 1987	80	82
Pioneer 6½pc 1989	206	
Raymond 8½pc 1989	160½	162½
Revlon 4½pc 1987	106	108
Reynolds Metals 5pc 1988	95	97
Sperry Rand 4¼pc 1987	86½	88½
Squibb 4½pc 1987	82½	84½
Texaco 4½pc 1988	82	84
Toshiba 6½pc 1990	109	110
Union Carbide 4½pc 1982	101½	103½
Warner Lambert 4½pc 1987	85½	87½
Warner Lambert 4½pc 1988	80½	82½
Xerox 5pc 1988	80½	82½

Source: Kidder, Peabody Securities.

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Voest-Alpine in talks on U.S. coalmines purchases

BY PAUL LENDVAI

VIENNA, July 4.

LKS ABOUT the purchase of ee U.S. coalmines by Voest-aine, the Austrian nationalised el and engineering concern, ich would cost between S. 22m. and $U.S.45m. have ered a crucial stage with the ival of Mr. A. Morgan Massey, sident of the A. T. Massey npany in Linz, the head-arters of Voest.

he talks on the purchase of coalpits in West Virginia, ned by A. T. Massey, have n going on for several years. early 1977 the Austrian com-ty signed a contract under ich is was granted an option the buying of 350,000 tons of l per annum.

Voest imports annually about n. tons of coking coal. In w of the scarcity of coking l and the expectation that ces could rise from $U.S.60 ton to over $100 by 1985, st decided to take steps to uce what its deputy director-eral, Mr. Johann Gruenn, led to-day a "one-sided depen-ce" on a few sources of ply.

he U.S. company owns 34 lpits, turning out 10m. tons ually. The talks centre on the uisition of three coalpits in st Virginia. Depending ether Voest acquires a 50 per t. holding or a 100 per cent. interest, the project would cost between $U.S.22m. and $U.S.45m.

According to Mr. Gruenn, the Austrian concern would prefer a complete takeover which could be financed through a loan raised on the U.S. market.

A feasibility study ordered by the Austrian company discloses that the three pits contain at least 60m. tons of high-quality coal. It is reckoned that through additional investment to the tune of $15m., annual output of coking coal could be raised by 1981 to 750,000 tons.

While the final shape of the U.S. deal depends on the outcome of the talks at Linz, the decision as far as the Austrians are concerned will have to be approved by OIAG, the holding company for nationalised industries. The OIAG Board could take a final decision on the project this week.

Chemie Linz repeats 5%

BY OUR OWN CORRESPONDENT

VIENNA, July 4.

CHEMIE LINZ, the leading Austrian chemical company, announces an unchanged dividend of 5 per cent. on its Sch.545m. capital. Turnover last year dropped slightly from Sch.7.53bn. to Sch.7.41bn. Exports fell by 15 per cent. to Sch.4.08bn., while domestic sales jumped by 21 per cent. to Sch.3.3bn.

The rise of sales in the domestic market was primarily ascribed to greater demand for fertilisers, while the setbacks in exports are said to be due to sharper international competition.

Sales of agricultural chemicals were down by 16 per cent., but total sales of fertilisers (including those to domestic customers) rose by 7.7 per cent. to 416,000 tons. Pharmaceutics turnover was up by 24 per cent.

Capital was increased by Sch.60m. to Sch.545m. Net profit totalled Sch.27.5m. (Sch.24.2m.). Production staff at the end of 1976 was slightly up to 7,426, compared to 7,357 a year earlier.

Spending on research and development has risen from 3.9 per cent. to 3.2 per cent. of the turnover.

Scholten to be new Robeco president

By Michael van Os

AMSTERDAM, July 4.

ROBECO, Europe's leading investment complex, has picked an outsider to succeed its president, Mr. Ewald Brouwer, who is due to retire on July 1 next year. The new president will be Professor Theo Scholten (49), who has been a management Board member of SHV, the large Dutch multinational, privately-owned conglomerate, since 1968, having joined the company four years earlier. His responsibility on the Board has been in finance and economic matters.

Mr. Brouwer joined Rotterdam-based Robeco in 1948 as an investment analyst, and when he retires he will have seen Robeco's net assets grow from nearly Fls.34m. to well over Fls.4bn. (they were Fls.4.34bn. as at January 1).

The listing of its shares at the Tokyo Stock Exchange in December, 1976, brought the number of international exchanges on which its shares are listed to 20. Over 24.3m. shares were outstanding at the end of 1976. Its 1976 annual report showed that of its spread of investments by industries, financial institutions accounted for the highest percentage (18.11 per cent.) and of its spread by country, the U.S. was the main area (34.61 per cent.).

At the end of November this year, Robeco's management Board member Mr. Johannes Verhorst is due to retire, but it is still uncertain whether he will be replaced. At SHV in Utrecht, Professor Scholten's position on the management Board will be taken over by Mr. Dick de Kat (42).

Scandinavian Far East

SCANDINAVIAN Far East, the wholly-owned subsidiary of Scandinavian Bank, reports pre-tax profits for its year, to March 31, of $US256,000 ($HK1.2m.), an increase of 127 per cent. over those for the previous year. Total assets increased from $US28.6m. ($HK133.3m.) to $US46.8m. ($HK216.7m.).

Since its inception in 1975 the company has built up a wide diversification of clients both in Scandinavia and in the Far East, with a strong emphasis on short term trade finance opportunities: 65 per cent. of the company's loans and advances being repayable within 12 months.

The company, which is registered under the deposit-taking companies ordinance, has also actively participated in the growing foreign exchange and money markets in the region, which activities have significantly contributed to the company's results over the past year. Scandinavian Far East was one of the original contributors to the Reuters monitor service.

During the year Scandinavian bank opened an offshore banking unit in Bahrain and together with its associated bank in Geneva, Banque Scandinave en Suisse, incorporated Scaninvestment Services SA (SISSA), an investment management company, which is represented in Hong Kong by Scandinavian Far East.

JAPANESE COMPANIES

Cotton spinners pass dividends

BY YOKO SHIBATA

TOKYO, July 4

THE BUSINESS performance of Japan's nine leading cotton spinners deteriorated sharply in the second half of the fiscal year ended April 1977 and as a result six of the companies were obliged to suspend dividend payments.

The industry's disastrous profit performance in the second six months reflected the slump in the cotton yarn market that has taken place since last autumn. Aggregated recurring losses of the nine spinners totalled Y12.9bn. in the second half, compared with a combined profit of Y4.2bn. in the first half.

The spinners have been operating a government approved anti-recession cartel for more than a year and this has involved cutting back production by 25 per cent. However, the market quotation for cotton yarn remains far below the industry's break-even level.

Apart from the depression in the cotton yarn industry the textile industry in Japan is plagued by what the Japanese call "structural recession" — chronic excess capacity, a surplus of workers, steadily accumulating deficits, swollen inventories and a rise in cheap imports of textiles. Since the beginning of this year, a large number of business failures have been concentrated on this area, in particular, small and medium sized cotton yarn spinners. More cases of bankruptcies are anticipated by industry observers.

Meantime, five cotton spinning companies have reported recurring losses for the second half of 1976-77, namely Kanebo (Y.5.9bn.), Toyobo (Y.6.6bn.), Daiwa Spinning (Y.2.8bn.), Fuji Spinning (Y.1.7bn.) and Shinkibo (Y.740m.). Kanebo, Toyobo, Daiwa and Shikibo were obliged for the first time in many years to suspend dividend payments. Dividends were also suspended, though not for the first time, by Nitto Spinning and Fuji Spinning.

Kanebo, the top spinner in terms of sales, reduced its recurring losses to Y.5.7bn. last year and thus appeared to have cut its losses to one-third of the previous year's level. But Kanebo achieved an accounting gain of Y.4.4bn. by changing the formula used for calculating depreciation. A further gain of Y2.4bn. was obtained by unloading portfolio investments and other assets. Without these items real recurring losses are estimated at Y.12.5bn. for the year, against Y.22.1bn. in fiscal 1975-76.

The non-textile division of Kanebo, including cosmetics, made a sound rally in the second half, yielding Y.6.48bn. in recurring profits. This was not sufficient to cover losses in the textile division.

Other spinning companies recorded uneven performances. Recurring profits were recorded by Nisshin Spinning (Y.3.4bn.), Nitto Spinning (Y.301m.), Kurashiki Spinning (Y.720m.), and Omi Kenshi (Y.200m.).

Nisshin enjoyed the highest profitability in the sector on the strength of stable finances. During 1976, Nisshin reduced its long-term and short-term liabilities by Y.2.8bn., improving its ratio of equity to total capital to 51.4 per cent. at the end of April from 48.2 per cent. a year earlier.

The business outlook for the current year is, if anything, equally dismal. Because of still shrinking demand, caused by credit uneasiness and competitive pressures from imports, conditions in the cotton yarn spinning market are expected to show little improvement. This means that the industry will benefit very little from the anti-recession cartel.

For the first half of the current fiscal year, Toyobo, Daiwa Spinning and Shikibo are expected to report the same amount of recurring losses as in the previous half. Even the most profitable company, Nisshin Spinning expects a 30 per cent. fall in recurring profits for the first half of the year.

Only Kanebo has hopes of achieving a surplus at the end of current year (ending April 1978) thanks to drastic rationalisation and favourable results from its non-textile operations.

Outlook at Komatsu

BY OUR OWN CORRESPONDENT

TOKYO, July 4.

CONSOLIDATED net sales of Komatsu Ltd., Japan's leading maker of construction machinery, will show a rise of about 10 per cent. in 1977, from Y493.4bn. in 1976, according to Mr. Hirosuke Hiraoka, a managing director of the company, but net profits remained level with last year's Y15.1bn.

The current strength of the Yen would make exports more difficult, but Mr. Hiraoka did not expect business to be seriously impaired as a result.

Mr. Hiraoka said that 1974—coming after the oil crisis—broke a pattern of growth which went back 20 years, during which the company's sales grew at a rate somewhat higher than Japan's gross national product. The company expected that sales and net profit growth will be more moderate in the next few years.

The Japanese public works budget was too small to give much hope for strong sales at home this year.

The company was trying to exploit markets where there were no strong competitors, and in some cases has chosen to build plants to manufacture locally, as in Mexico where a plant was opened in October last year.

● It was reported in the Financial Times on June 15 that Komatsu expected taxed profit in the first half of this year to be Y8bn., against an original target of Y8.5bn.

Elite earnings rise to £1.76m.

BY L. DANIEL

TEL AVIV, July 4.

ELITE, the company which accounts for some 90 per cent. of Israel's confectionery market and 95 per cent. of coffee sales (in addition to substantial export business), reports an 18 per cent. rise in net after-tax earnings to £1.76m. sterling in the past fiscal year. It proposes a gross cash dividend of 17 per cent. (unchanged) and a stock dividend of 25 per cent. (14.3 per cent. in 1975-76). The consolidated balance-sheet increased 41 per cent. to £20m. sterling and sales by 31 per cent. to £27.6m.

The company has presented to the Tel Aviv stock exchange a draft prospectus for the issue of 3m. Ordinary registered shares of one Israel pound each: 12m. nominal value 20 per cent. convertible debentures and 3m. nominal value debentures (options).

These are to be offered to the public in 60,000 units comprising 50 £1Israeli shares, £200Israeli (nominal value) debentures and £50Israeli (nominal value) of options each. Price for this package has not been released.

Yardenia-Leb. profit

YARDENIA-LEBANON Insurance Company, which operates on the London market as well as in Israel, reports a 167 per cent. increase in its consolidated after-tax profit in 1976 to just over £500,000 sterling, its pre-tax profit having risen by 72 per cent. to £750,000. The consolidated balance-sheet of the two companies increased by 58 per cent. to £24.3m.

Premiums collected in respect of elementary insurance rose by 67 per cent. last year to £13.5m., of which roughly one-third was accounted for by the London branch, which showed a profit for the first time since its establishment four years ago.

Life insurance business (none in London) brought in an additional £1.8m. of premiums. The Board includes Lord Harmar-Nicholls of Peterborough.

The company is considering a proposal to raise additional capital on the Tel Aviv Stock Exchange. At present its investments total £16m., up 63 per cent. on 1975.

Income boost at Hapoalim

THE INVESTMENT company of Bank Hapoalim—Israel's second largest bank and among the world's 120 largest—reports a 29 per cent. rise in consolidated income for 1976 to just under £1.4m. sterling and will pay an unchanged gross cash dividend of 15 per cent. and a stock dividend, also of 15 per cent. (the same as in 1975).

The main growth came from a 27 per cent. rise in income from loans and deposits to £1.18m. sterling, while that from industry, commerce and services rose by 87 per cent., accounting for the balance.

With tax provision of 65 per cent., against 54 per cent. in 1975, net attributable earning in 1976 were just under £1m. sterling, up 50 per cent. on 1975. Total assets at end-December came to £40m. sterling.

Warning from Smart Shirts

A WARNING SIGNAL for Hong Kong's clothing exporters was given by Smart Shirts, whose Board announced a record profit of $HK14.16m. for the year to March 31, against $HK11.03m. in 1975-76, but predicted a slight decrease in profits in the current year "due to existing market conditions and keen competition from neighbouring countries," reports Daniel Nelson from Hong Kong.

A final dividend of $HK1 was declared, making a total of $HK1.50 for the year ($HK1.20). In addition, a transfer to general reserve of $HK3m. is proposed.

● ALLIED INVESTORS Corporation, part of the Wheelock Marden group, announced that consolidated net profit fell $HK3.46m. to $HK13.6m in the year to March 31, but the final dividend of 25 cents remains the same, making a total for the year of 50c., also the same as the previous year.

Some profit fall was expected because although operating profitability was maintained the previous year's figures were boosted by a $HK3.3m. contribution from non-recurring items.

OVERSEAS MARKETS

Canada mixed in early dealings

BY OUR TORONTO CORRESPONDENT

TORONTO, July 4.

CANADIAN STOCK Markets continued mixed in morning dealings, with the Toronto Composite Index down 1.4 to 1029.8.

Oil and Gas stocks were off sharply on Index, down 17.5 at 1172.8. Dome Petroleum were down $1¼ to $40⅝. Bow Valley Industries $¼ to $20, Imperial Oil $¼ to $20¾ and Gulf Oil Canada $½ at $25⅛.

The Metals and Minerals Index moved up 6.4 to 1054.4, Golds rose 2.9 to 999.0 and Utilities firmed 0.11 to 161.83, but Banks shed 0.21 to 236.25 and Papers eased 0.03 to 97.78.

Closing prices and market reports were not available for this edition.

Alberta Gas Trunk "A" gained $¼ to $15⅛ and Westcoast Transmission put on $¾ to $31⅛. Press reports said the National Energy Board will approve a bid by a Consortium, to which the two belong, to build a Northern pipeline. The Board declined comment on the reports.

Transmountain Oils were active and rose $⅜ to $11⅜. Royal Bank of Canada dipped $¼ to $26¾ but Bell Canada rose $⅛ to $53⅝ and Bank of Montreal $¼ to $16⅜.

OTHER MARKETS

PARIS—The market firmed slightly in thin trading following the poor performance of the Socialist Party in a local election and the continuing weakness of the dollar.

Banks and Insurances were firm, while Foods, Printings and Electricals were higher on balance.

Americans and Golds fell, while Germans advanced.

BRUSSELS—Most shares were higher in livelier trading.

Reserve, Wagons-Lits, St. Roch, CBR, Arbed and Electric shares rose, while Vieille Montagne and ACEC each gave ground.

Cockerill eased Frs.4 to Frs.516, despite reporting a 1977 first-half year loss.

In Foreign stocks, U.K. issues were irregular, some German shares rose, Dutch stocks were little changed, apart from Philips which were firm. Canadian and U.S. shares fell, while French issues were mostly higher.

All U.S. Markets were closed yesterday—Independence Day.

Gold Mines fell with the London bullion fixing.

AMSTERDAM—Market closed narrowly mixed, with gains predominating. Trading was extremely quiet in view of the U.S. market holiday.

Among Internationals Akzo were up Fls.0.10 at 30.70, and Philips Fls.1.1 at 29.20, but Royal Dutch were down Fls.0.20 at 142.20. Unilever rose Fls.0.3 to 123.30.

Banks, Insurances and Transportations fluctuated fractionally either way. Dutch Industrials gained slightly over a broad front. State Loans were steady.

GERMANY — Shares closed higher after lively trading. Brokers said despite the onset of the summer vacation season, markets appeared to be getting a boost from the release of funds from Employee Savings Plans July 1.

Machine Makers and Steels showed gains of nearly DM3.00.

Banks rose strongly, led by Deutsche Bank which moved up DM6.30 to 275.8. In Electricals, BBC gained DM5 and in Motors, Daimler rose DM3.5 to 357, and VW were up DM2.50 to 181.

Other shares closed mostly between DM1 and DM2 higher.

On the Bond Market, Public Authority Bonds were up to DM0.35 higher with the Regulating Authorities selling DM22m. nominal of stock. The Federal Loan 6½ per cent. traded at its 99¾ per cent. issue price.

Foreign Marks Loans were firmer.

COPENHAGEN — Market was mixed in moderate dealings.

OSLO—Industrials and Shippings were quiet, while Bankings and Insurances were slightly firmer.

VIENNA—Generally steady.

MILAN—Quietly easier after profit taking following gains of recent weeks, although a slight improvement at the lower levels was noted *towards the close.*

Fiat and Montedison each eased Lire32 and Lire11.25 respectively. IFI Privileged were also lower in weaker Financials, as were Assicurazioni Generali in Insurances.

Bonds were quietly irregular.

SWITZERLAND — Markets closed narrowly mixed in quiet activity.

Swissair Bearer continued its upward trend, under the impact of its further improved earnings power, announced last week.

Leading Banks were generally very steady, while Financials, Insurances and Industrials were narrowly mixed.

In a moderately active Foreign sector, Dollar stocks retreated, while Dutch shares were barely *steady and German issues rose.*

HONG KONG—Prices closed lower in light trading.

Hong Kong Land were down 5 cents to $HK7.10, New World 2 cents to $HK1.37, Hutchison 5 cents to $HK3.35, Swire Pacific "A" 5 cents to $HK6.90, Wheelock "A" 2½ cents to $HK2.70, Jardine 20 cents to $HK15.20, Hong Kong Electric 5 cents to $HK5.25, China Light down 10 cents to $HK21.10, Hong Kong and Kowloon Wharf 20 cents to $HK15.20 and Hong Kong Dock 40 cents to $HK11.60.

Hong Kong Bank, however, put on 10 cents to $HK18.00.

TOKYO—Declined in quiet trading. Volume 160m. shares.

Electricals, Motors and other Export-Oriented issues eased on expectations of a further rise in the yen, while Petroleums lost *ground on the decision* by Saudi Arabia and the United Arab Emirates to raise the oil price.

Victor Japan lost Y10 to Y990, Matsushita Electric Y3 to Y626, Nissan Motors Y3 to Y712, Suzuki Motor Y5 to Y210 and Canon Y4 to Y340.

Some Pharmaceuticals, Constructions and Marine Products, however, were firmer.

Kyoto Ceramic moved up Y70 to Y2,900.

Shimano Industrial put on Y25 to Y790, SS Pharmaceutical Y20 to Y420, Jusco Y20 to Y1,310, Banyu Pharmaceutical Y16 to Y492, Raito Kogyo Y15 to Y417, Nippon Kemiphar Y15 to Y750, Fuji Kosan Y13 to Y238, Eisai Y14 to Y770 and Kumiai Kagaku Y13 to Y303.

But Toho were down Y110 to Y6,330, Kokusai Denshin Denwa Y90 to Y4,510, Nippon Telecommunication Construction Y30 to Y2,770, Seino Transportation Y30 to Y1,210, Shiseido Y20 to Y1,180, Miyuki Keori Y18 to Y736.

JOHANNESBURG—Gold shares were quietly easier, reflecting the bullion price and the U.S. holiday.

"Heavyweights" lost about 35 cents, while "medium" and "lightweight" issues shed about 10 cents.

Mining Financials were margin*ally easier in line with Producers.* Coppers were quiet, but Palamin gained 10 cents to R9.90.

Platinums were little changed. Tins and Collieries were quietly easier.

Industrials were steady.

AUSTRALIA—Industrials were firmer while Mines eased in light trading.

BHP gained 4 cents to $A6.34, while ACI lost 2 cents to $A1.78. National Bank rose 1 cent to $A2.98.

Retailers continued firm, with Myer up 2 cents to $A2.02 and Waltons put on 1 cent to 20 cents.

ICI put on 3 cents to $A1.93 following its rights issue announcement.

Among Minings, Utah lost 12 *cents to $4.40,* while Thiess gained 2 cents to $A2.26. Pancontinental were steady at $A12.20 but Queensland Mines dipped 3 cents to $A2.30 and Kathleen declined 2 cents to $A1.70. Peko declined 5 cents to $A5.90 and CRA dropped 8 cents to $A3.20.

Dollar weak

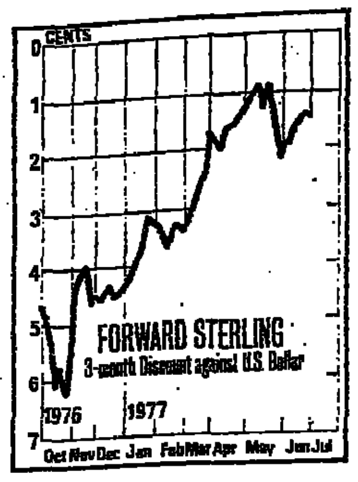
The U.S. dollar fell sharply against the stronger currencies in the foreign exchange market yesterday. A recent communique from the OECD that countries with a strong balance of *payments* surplus should allow their currencies to appreciate was reflected in the heavy demand for the Japanese yen, German mark, and Swiss franc.

New York was closed for the U.S. Independence Day holiday, and without any obvious support from European centres the dollar closed fairly near to its lowest level of the day in terms of several units. The Japanese yen was particularly firm, closing at Y265.10 against the dollar, compared with Y268 on Friday. The D-mark touched a best level of DM2.3170 before closing at DM2.32 to the dollar, compared with DM2.34 previously.

This was the strongest level for the German currency for over two years, and the Swiss franc was also very strong, at SwFrs.2.4360, compared with SwFrs.2.4625 before the week-end.

There was also a steady demand for sterling but this was not reflected in the pound's trade-weighted index, as calculated by the Bank of England, which fell *to 61.1 from 61.3, after standing* at 61.1 at noon and 61.2 in early dealings. This was also more a reflection of the weakness of the dollar, rather than any general fall by sterling. The decline in the index was caused by firm control of the pound's value against *the dollar by the Bank of England* at around the $1.72 level. It traded within a range of $1.7197-1.7207 throughout, and closed at $1.7200-1.7204, a rise of four points on the day. Forward sterling was slightly firmer following the rise in the U.K. official reserves last month to a record level, but there was no very strong reaction to the figures.

Gold fell $1¼ to $140⅜-141⅛ in fairly quiet trading.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	July 1	June 30
Sterling	0.677843	0.677753
U.S. dollars	1.16589	1.16587
Belgian franc	42.0099	42.6121
Deutschemark	2.72725	2.72580
French franc	5.73560	5.73521
Italian lira	1031.55	1031.53
Japanese yen	311.293	312.103
Dutch guilder	2.88556	2.88261
Swedish krone	5.13633	5.12808
Swiss franc	2.87159	2.86909

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

July 4	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Fr'nkf't	—	2.3185-90	47.35-43	6.45-46	3.985-99	94.16-21	95.15-25
N. York*	42.74-76	—	20.33-34	2.7728-40	1.7197-7199	40.36-38	40.54-66
Paris	210.55-.02	4.8435-8055	—	13.821-655	8.4195-395	198.36-.05	200.32-72
Brussels	15.45-47	35.92-95	7.32-34	—	61.77-67	14.56-60	14.59-72
London	3.98-4.0	1.72-7204	8.41-42	61.75-90	—	4.25¼-24½	4.19-20
Am'd'm	106.99-.04	2.4637-68	50.296-345	6.8625-75	4.2335-445	—	100.855-905
Zurich	105.00-10	2.4365-63	49.78-82	6.75-7875	4.1875-1900	96.88-99	—

U.S. $ in Montreal C.U.S. $=105.91-95 Canadian Cents. Canadian $ in New York C.$=94.37-39 U.S. cents. U.S. $ in Milan 884.60-90. Sterling in Milan 1521.70-1522.00. * Rates for July 1.

EURO-CURRENCY INTEREST RATES

GOLD MARKET

FOREIGN EXCHANGES

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

July 1	June 30	June 29	June 28	1977 High	1977 Low
54.92	55.10	54.90	54.84	57.07 (4/1)	52.56 (21/3)

Rises and Falls	July 1
Issues Traded	1,835
Up	654
Down	708
Same	477
New Highs	86
New Lows	16

MONTREAL

TORONTO

JOHANNESBURG

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—114½% (114¼%)

NEW YORK

CANADA

GERMANY

TOKYO

AUSTRALIA

OSLO

BRAZIL

BRUSSELS/LUXEMBOURG

AMSTERDAM

JOHANNESBURG

PARIS

SWITZERLAND

COPENHAGEN

SPAIN

STOCKHOLM

MILAN

VIENNA

هكذا من الأصل

FARMING AND RAW MATERIALS

Australian wool price adjustments

MELBOURNE, July 4.

THE AUSTRALIAN Wool Corporation has raised 1977-78 floor prices for carding types by six to seven cents a kilo clean, but lowered the finer fleece floors by seven to nine cents, Mr. Alf Maiden, chairman, said.

As previously reported, the government left the whole clip average floor for the forthcoming season unchanged at 284 cents a kilo.

Mr. Maiden said the adjustments in the floor price levels reflected market factors while observing the relationship between categories and the need to produce the overall level of 284 cents a kilo for the whole clip.

He said that for two years the corporation stocks have held a disproportionately large quantity of finer merino fleece types, mainly due to market trends favouring broader wools and changes in textile technology disadvantaging finest types.

This resulted in a relatively high floor price for finer wools compared with broader types.

There was a marked decline in crossbred wool prices towards the end of 1976-77, largely due to the market being originally well above the floor, Mr. Maiden said.

There is a possibility of some release of South American crossbred stocks during the coming season, but it should be noted that corporation stocks held only a small amount of crossbred wools.

Mr. Maiden believed the adjustments in the 1977-78 floor prices will present a more balanced schedule consistent with longer-term developments in demand for individual categories.

Reuter

No decision at oilseeds pact talks

By David Egli

GENEVA, July 4.

A PREPARATORY meeting on vegetable oils and oilseeds has ended here without reaching a decision as to the possibilities of market regulation.

Convened by Unctad within the context of the integrated programme for commodities, the preparatory meeting reviewed a secretariat paper presenting the main problems facing the oilseeds and oils sector.

It decided to continue its work at a session to be held at expert level early next year, but left the choice of a final date up to the ad-hoc inter-governmental committee for the integrated programme on commodities to fix.

Early U.S. copper strike settlement agreed

BY JOHN EDWARDS, COMMODITIES EDITOR

THE U.S. copper workers' strike appears to have fizzled out almost before it started. It was confirmed yesterday that over the week-end the copper workers' union had approved the terms of new labour contracts with two major producers, Kennecott and Magma, a subsidiary of Newmont Mining.

The Newmont agreement has reportedly been ratified by local plants while the Kennecott terms have yet to be approved finally at local level.

The closure for the Independence Day holiday has made news coming out of the U.S. somewhat sparse.

But it appears that the Kennecott agreement is seen as a pattern for the other companies, whose labour contracts also expired on June 30 midnight when workers went on strike.

The test will come when negotiations between Anaconda and the unions resume on Tuesday.

However it is generally assumed that other companies will not be able to avoid granting much the same terms as those agreed by Kennecott. So it does seem as if the threat of a sustained U.S. copper strike has now been removed.

The London market, which plunged by £50 at one stage on Friday on expectations of a Kennecott settlement, was much more subdued yesterday. Cash copper wirebars closed only £3 lower at £727.5 a tonne.

It is not unusual for the actual event to be something of an anti-climax compared with predictions of what might happen.

On this occasion the market appears to have discounted a settlement to a large extent. At the same time uncertainty remains about the other companies still hit by strikes and what will happen when the New York copper market resumes trading to-day after the holiday.

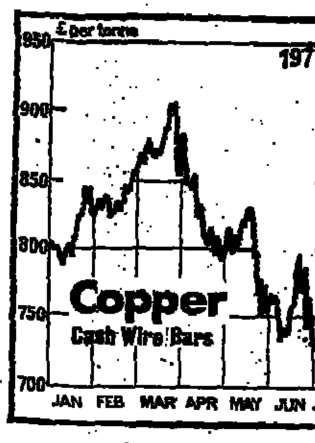
There is doubt too whether copper prices can fall much lower than the present depressed levels.

Nevertheless the outlook is distinctly gloomy for producers. Surplus stocks, built up in anticipation of a possible strike, will mean that demand from consumers is likely to remain at a low ebb especially during the traditionally quiet summer months.

As expected copper stocks held in LME warehouses showed a small rise of 125 tonnes raising total holdings to 599,400 tonnes. Lead stocks fell by 1,350 to 64,425 tonnes. But the market was more influenced by the trend in copper, and also shrugged off the failure to settle the Bunker Hill strike last week, and Asarco's declaration of *force majeure* on accepting deliveries of lead concentrates because of the strike at its smelters and refineries.

Zinc prices declined too, despite a fall of 2,400 tonnes in warehouse stocks to a total of 86,075 tonnes. However a fall of 530 tonnes in tin stocks, cutting the total held to 6,690 tonnes, did help lift the cash price marginally while the three months quotation eased slightly.

LME silver stocks fell by 1,770,000 to 25,090,000 ounces.



Maximum levy for iso-glucose

BY ROBIN REEVES

BRUSSELS, July 4.

THE CONTROVERSIAL production levy on iso-glucose has been set at five units of account per 100 kilos, the maximum rate established as part of this year's EEC farm prices package.

Announcing the levy—the rate will apply for the sugar year beginning July 1—a Commission spokesman stressed that iso-glucose manufacturers would enjoy the benefits as well as the obligations of being included with the EEC's common sugar regime.

Iso-glucose manufacturers will be able to claim an export subsidy of 14.91 units of account per 100 kilos which, according to the Commission, is more than enough to cover production tax and EEC charges on the basic raw material, maize.

At the same time iso-glucose from outside the EEC has become subject to a prohibitive import levy of 32.12 units of account per 100 kilos.

Well aware of the exceptional criticism which is being directed against the production levy by iso-glucose manufacturers, the spokesman said that the levy was modest by comparison with the levy of 9.8 units per 100 kilos liable to be paid by EEC beet producers on "B" quota sugar in excess of Community needs.

It had been set at the maximum rate of 5 units of account also because the Community foresees a sugar surplus this year as much as 3m. tonnes in excess of requirements.

Our Commodities Staff writes: Iso-glucose producers, based in Britain, are said to be highly critical of the "unfair" special levy imposed on their product.

Plans by the Dutch company, Koninklijke Scholten Honig (KSH), to start production at a factory at Tilbury are understood to have been shelved while alternatives are looked at, and the group's pilot Dutch plant is believed to be working at a low rate of capacity.

Sugar at four-year low

BY OUR COMMODITIES STAFF

NEARBY POSITIONS on the London sugar terminal market fell to the lowest levels for nearly four years yesterday with the September quotation ending £3.375 lower at £117.35 a tonne.

Earlier the London daily raw sugar price was fixed at £109 a tonne, £4 below Friday's level.

Dealers said there was no fresh news to explain the falls which they thought were based on technical selling as new chart "bear" points were penetrated. They said with the New York market closed for the Independence Day holiday London prices lacked support.

Continuing ideal weather for the European sugar beet crop has made the predicted large world surplus seem even more inevitable. Substantial EEC exports will be necessary to prevent a sugar "mountain" building up.

Australia sells more wheat to China

By Kenneth Randall

CANBERRA, July 4.

AUSTRALIA has sold another 3m. tonnes of wheat to China at an estimated cost of $A280m. (£179m.). The contract, signed in Peking to-day, is the largest ever negotiated by the Australian Wheat Board.

The board negotiated a sale of 2m. tonnes in March, which ensured the clearance of most of last year's crop carryover.

The latest contract will clear the last of these stocks and draw heavily on the 1977-78 crop, now at an advanced stage of planting. Deliveries are to be made in the 12 months from next month.

Mr. Ian Sinclair, acting Minister for Overseas Trade, also announced that the board had ended discussions with a Brazilian Government mission which had established the basis for "possible" sales of Australian wheat to Brazil.

In Rome, the UN Food and Agriculture Organisation predicted world wheat stocks would reach 163m. tons, 40m. tons more than last year, by the end of the 1976-77 season.

The estimate, equivalent to 18 per cent. of annual world wheat consumption, did not take into account stocks in the Soviet Union and China for which figures were not available.

FAO said its global early warning system showed that the world outlook for wheat was promising, and predicted production this year of 1,119m. tons, just 1 per cent. lower than last year's record harvests.

In London, grain prices fell sharply again on the futures markets yesterday. The September position for home-grown wheat lost £1.90 to £82.20 a tonne, and barley fell by the same amount to £75.20 a tonne.

The decline was attributed to forecasts of a bumper crop this year, encouraged by the recent spell of good weather. The latest weekly Ministry of Agriculture report said that the cereals crops remain free of disease and were making good growth, although a little backward compared with previous years.

GHANA COCOA PURCHASES

ACCRA, July 4.

The Ghana Cocoa Marketing Board announced that purchases of this year's mid-crop cocoa for the two weeks ended June 30—the first two weeks of the season—were estimated at 1,173 tons.

The first two weeks of the season last year ended on June 21 when purchases totalled 1,053 tons.

Reuter

ROYAL SHOW

Silkin to urge EEC farm policy reform

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

MR. JOHN SILKIN, Minister of Agriculture, has welcomed the end of his presidency of the Council of Agricultural Ministers. He says it will give him the opportunity of seeking to reform the Common Agricultural Policy uninhibited by the responsibility in the chair.

Speaking at the Royal Show yesterday, he said that his priorities would be to break the log jam of ever-increasing rises in EEC prices. The Common Agricultural Policy, he said, should be examined to determine just how far it could be altered to meet the British objections.

Mr. Silkin was referring to the policy that he set forth when he became Minister, which was to make the problem of the small farmer one of national and not overall Community responsibility. He also rejected the implications of Mr. Gundelach's letter to him, which criticised national agricultural action. He said he would press on with his review of the White Paper, "Food from Our Own Resources," and hoped that the results would be published by the end of the year.

Mr. Silkin intended to continue with his enquiry into ownership of farm land with particular emphasis on purchases by institutions and foreigners. He said that he thought the family farm was probably the ideal to aim for in farm size in the future.

Opening the show, Sir Henry Plumb, president of the National Farmers' Union, said that the Common Agricultural Policy, while not perfect, was the most vital element in the Community. The NFU believes in it, but was trying to improve it in co-operation with other members of the Nine.

"Where we fail to agree, as with pigs just now, our faith in the Community is placed under a severe strain," he added. Therefore, a long-lasting solution must be found to the monetary problems and the green pound. Without this, a solution acceptable to all concerned would be impossible, Sir Henry said.

● A plea for the U.K. to formulate a food and agriculture policy to harmonise land use with the country's nutritional requirements and with world food needs is made in a special Oxfam report out to-day.

It says that the Government should appoint an inter-ministerial working group to establish a new committee on nutrition and food production. Its first priority should be a long term campaign of public education in basic nutrition and fostering a healthier diet, the report adds.

This should modify the pattern of foodstuffs production by the agricultural sector. However it urges that changes in U.K. farm production patterns should be made bearing in mind the growing interdependence of all countries and the need to give developing countries a greater share of trade.

** One Crust of Bread, Oxfam Public Affairs Unit.*

'Support' buying boosts coffee

BY OUR COMMODITIES STAFF

COFFEE FUTURES prices on the London terminal market rose sharply yesterday in response to heavy buying from a single source. Dealers thought the buying represented market support by Brazil—a view which tended to be encouraged by the fact that the New York market was closed for the July 4 holiday.

Prices had fallen in early dealings following the pre-weekend trend in New York. The September position slipped to £2,230 a tonne at one stage, but closed £120 up on the day at £2,397.5 a tonne.

In Rio de Janeiro, meanwhile Brazilian Coffee Institute president Camillo Calazans said Brazil will not sell coffee during the second half at less than $3.20 a lb., the present minimum export price for July and August shipment, reports Reuter.

Sr. Calazans said as a result of shipping almost 8.4m. bags during the first six months of this year against a target of 6m., Brazil has only a further 3.5m. or so bags left to export during the second half.

Exports during this month and next will probably be minimal. After that, Brazil will sell coffee to meet demand, but only within the above mentioned limits.

Last month Brazil shipped 1.14m. bags worth $357m., bringing coffee earnings in the first half to $2.15bn.

Sr. Calazans dismissed suggestions that limiting exports to around 3.5m. bags during the rest of this year might cause a shortage internally.

● Holland's leading coffee roaster, Douwe Egberts, said it is prolonging the production staff's three-day week for this week.

This is the third week of the measure, due to the high level of stocks of coffee held by retailers and consumers.

Greek/Dutch compromise

BY OUR OWN CORRESPONDENT

ATHENS, July 4.

EUROPEAN COFFEE exporters have agreed to review contracts with Greek importers following a compromise offer made by the Greek Ministry of Commerce.

The contracts concern about 1,500 tonnes of coffee, mainly from Holland and West Germany.

The ministry had refused to approve import licences for the coffee, contracts for which were signed in February and March when prices had reached unprecedented levels.

Greek importers had signed the contracts without prior approval of their pro-forma invoices and the price of coffee has since come down considerably.

A Dutch Embassy source said to-day that European exporters agreed to revise their contracts after the ministry offered to approve prices slightly above present levels as a compromise solution.

They said, however, that the Dutch Government could raise objections to this on the grounds it could set a precedent in which coffee importers in other countries could refuse to honour their contracts under similar circumstances.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lower on the London Metal Exchange following the news of two settlements in the U.S. labour contract negotiations. Forward metal opened £743 but fell to £733 after the news from the U.S. After that the price moved up gradually, encouraged by West German trade covering in the lower £730's and £740's. The market was busy in the morning but less so in the afternoon with Comex closed for Independence Day. The close on the Kerb was £743. Turnover 13,100 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	725-6	—4½	727-8	—3
3 months	742.5-3.5	—4½	745.5-5	—4
Settlem't	726	—45	—	.....
Cathodes				
Cash	716.5-7	—3½	716.5-7.5	—5.25
3 months	735.5-6.5	—4½	735-.5	—5.5
Settlem't	717	—39	—	.....
U.S. Smt.	—	.....	58-71	—

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £722, three months £747, 46, 45, 44, 42, 41.5, 41, 40.5, 41, 42, 42.5, 43. Cathodes, cash £715, 15.5, 16, 17, three months £735, 34. Kerb: Wirebars, three months £743.5, 44, 43. Afternoon: Wirebars, three months £746, 45.5. Cathodes, three months £735. Kerb: Wirebars, three months £745.5, 46, 47, 48, 49, 48.5, 49.

TIN—Gained ground in late trading. The East was lower over the week-end but forward metal in London opened at £5,740 and climbed to £5,750 where it traded for most of the day.

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G. Index Limited 01-351 3466. January Barley 80.6-81.3

GRAINS

SILVER

COCOA

COFFEE

MEAT/VEGETABLES

JUTE

SOYABEAN MEAL

SUGAR

WOOL FUTURES

RUBBER

PRICE CHANGES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

Fish policy switch angers trawlermen

By Richard Mooney

THE GOVERNMENT'S switch of emphasis in EEC fisheries talks away from the "exclusive zone" concept has angered British fishermen.

"There is no alternative to a 50-mile exclusive zone if the nation's fish resources are to survive," the British Fishing Federation said.

The federation said the switch to the "dominant priority" concept in Luxembourg last week came as a shock to fishermen and port MPs as the Government had been consistently emphasising its commitment to an exclusive zone.

It said that such a zone offered not only the essential conservation regime but, more importantly, the means of enforcing it and ensuring that the U.K. obtains a fair share of the total EEC catch.

"The Community simply is not capable of enforcing conservation," the federation said. "All possible alternatives to an exclusive zone must rely on the good will and efficiency of member states. That cannot be guaranteed. The only alternative to an exclusive zone is some form of Cheat's Charter."

The federation believes that as the rest of the EEC "are still committed to a 'grab all' policy" they will be just as opposed to the alternative as they were to the exclusive zone, "so the Government can be persuaded (if not obliged by events) to stick to its original policy."

PLAIN TEA PRICE DROPS

By Our Commodities Staff

Plain tea fell 13p to 142p a kilo at yesterday's London auction, but quality and medium grades were unchanged at 325p and 175p respectively.

The Tea Brokers' Association of London said that there was more plain than quality or medium tea available. The association saw the widening differentials between tea grades as a reflection of the "unwinding of the concertina effect" seen during the recent upsurge.

Theakstons will sell its inns

THEAKSTON'S the real ale brewers of Masham, North Yorkshire are moving out of the country inn business. The company's remaining three inns in North Yorkshire are being auctioned next month.

Mr. Michael Theakston commented yesterday: "The company has decided to concentrate on brewing rather than being landlords of country inns. This will leave us with four hotels and public houses in Masham and Ripon." At one time, the brewery owned over 20 inns in the county.

STOCK EXCHANGE REPORT

Markets above worst after currency reserve figures

Trade in equity leaders slow—Index ends 1.6 down at 449.6

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 13	Jun. 23	Jun. 24	July 5
Jun. 27	July 7	July 8	July 19
July 11	July 21	July 22	Aug. 2

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Markets yesterday traded thinly and for the most part at levels slightly below last Friday's close, but the tone improved in the late afternoon following announcement of the big improvement last month in the U.K. currency reserves. The statement led to falls ranging to ½ in long-dated British Funds being recovered although quotations were *tending a shade easier* in the late trade; short-dated stocks, ⅛ off at one stage, generally closed with little change on balance but minor gains here in the low-coupon issues and in the erredeemables were responsible for a rise of 0.09 to 67.87 in the Government Securities index which shed 0.20 last week. A similar pattern was traced in leading equity shares although prices still closed a little easier on the day. The FT 30-share index ended a net 1.6 down at 449.6 after having shown a loss of 3.9 at noon.

Sentiment overall was dominated by thoughts of the reports likely to emanate from this week's two big union conferences, while yesterday's announcement that the miners are going ahead to-day with their motions for substantial pay increases from November 1 *in defiance of both their own* leadership and general TUC policy restricted potential buyers. Another inhibiting factor was yesterday's *walk-out* of the Lucas toolmakers. Official markings held up relatively well in the *event at 4,811 against last Friday's* 4,322 and the week-ago level of 4,827. A measure of the keen *interest still being shown in BP* shares was yesterday's Oil sector *markings of 753 as compared with* a daily average of only 180 in the four weeks prior to last Monday's late start of dealings in the partly-paid shares. Falls were in a 5-to-4 majority over rises in FT-quoted equities and the FT-Actuaries three main indices were only a shade easier.

Debut of floater

The unusually swift debut of the second experimental floating rate stock, announced after the close of business only last Friday, heartened a drab market in British Funds. Early bids of £98 increasing by *stages of ⅛ to* 98¼ were rejected by the Government broker who subsequently accepted 98⅜ for supplies of the stock. Treasury Variable 1982, which is identical with its predecessor *apart from being of slightly lower* maturity. Eventually the Government broker withdrew this selling price and was not tested at the presumed next level of 98½. Gilt-edged otherwise put up another torpid display with longer-dated issues slipping ⅛ in the early morning trade before rallying, a movement later aided by the announcement of last month's official reserves which were better than expected to close unchanged on the day. Shorter maturities fluctuated similarly, being a maximum of either ⅛ down or ⅛ up before ending on a mixed note. Press advice encouraged speculative interest in Treasury 3½ per cent., 1979-81, due to be quoted clean next Monday, and in a thin market the quotation rose ⅛ to 88⅞. Several other low-coupon issues followed the movement. Corporations were quiet but improved ⅛ in places.

Interest continued at a low level in the investment currency market and the premium, after holding initially at around Friday's late rate, eased to close a net ¼ down at 114 per cent. Yesterday's SE conversion factor was 0.7062 (0.7048).

Banks easier

With the interim dividend season a matter of only two weeks away, buying interest for home Banks appeared non-existent. In the event, small sellers held the stage and falls of 3 were sustained by Barclays, 272p, Lloyds, 212p, and Midland, 290p. Merchant Banks were also dull, where changed, with Schroders 10 off at 310p, Arbuthnot Latham 6 lower at 127p, and Kleinwort Benson 2 easier at 78p. The increased interim dividend had little apparent effect on Alexanders Discount, unchanged at 220p.

Insurances drifted lower in slack trading, although some prices rallied in the late trade. Falls of 5 were seen in Sun Alliance, 453p, and Willis Faber, 235p, while Brittanic shed 2 to 136p.

The Thames Plywood bid situation attracted attention to similar issues in Buildings. Thames, which rose from its May pre-suspension price of 120p to 135p last Friday before closing at 123p in response to a bid of around 142p a share from a consortium, absorbed more profit-taking yesterday and closed 4 up at 127p. Bambergers, with the added attraction of doubled pre-tax profits, could only manage a ½ improvement to 43½p owing to an existing bull position. Phoenix Timber put on 4 to 102p, Parker Timber 2 to 100p, and Magnet and Southerns 1 to 146p. Whatlings reflected good interim figures with a gain of a penny to 38p, while Marshall's (Halifax), up 2 at 82p, held the price late after annual figures. Losses of 4, however, were seen in Taylor Woodrow, 358p, and Tarmac, 172p. G. H. Downing eased 2 to 148p in front of to-day's expected annual results.

In a fairly small trade, ICI fluctuated narrowly before closing 2 lower at 400p. Anchor declined 5 to 74p, but Fisons rallied 3 to 349p, and Laukro put on 4 to 98p, while Coalite 3 better at 24½p. W. W. Ball hardened 1 to 77p after the good interim results.

Blackman & Conrad dip

Poor figures and the dividend omission upset Blackman and Conrad, which dipped 10 to 18p. Elsewhere in Stores, the leaders tended a penny or two easier where changed but often ended above the day's worst. British Home eased 2 to 183p, after 181p, and Debenhams were on offer at 74p, down 4. Lee Cooper were an isolated firm spot at 120p, up 17, on buying in a thin market, while *gains of 4 were seen in both* Empire Stores, 138p, and Status Discount, 63p. Losses of that amount, however, were sustained by Cope Sportswear, 65p, and Hardy (Furnishers), 44p.

Favourable week-end Press *mention after the recent setback* on news of the proposed merger with Clarke Chapman prompted a *modest rally* of 2 to 168p in Reyrolle Parsons; Clarke Chapman held at 79p. *Elsewhere* in the Electrical leaders, GEC ended 3 dearer at 203p in front of to-day's preliminary statement, but Thorn A, annual results due Friday, eased 2 to 312p. Phillips Lamp rose 40 to 965p; yesterday it was reported that the company had joined forces with Ericsson of Sweden in the hope of boosting their chances of success in the international competition for a big Saudi Arabian telecommunications contract.

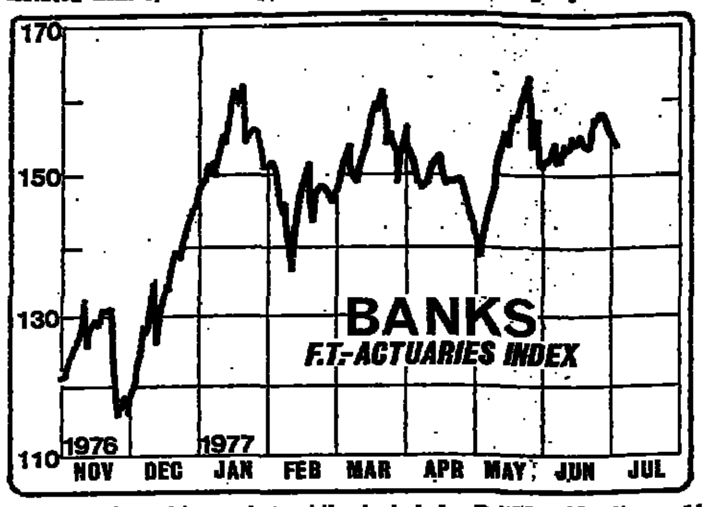
Butterfield Harvey featured Engineerings with a jump of 14 to 55p on news of a possible bid from Babcock and Wilcox (down 2 at 102p) following the latter's acquisition of a near 20 per cent. stake in BH from Sime Darby London at 45½p a share. Leading Engineerings tended a shade easier where changed, but a rallying movement occurred quite late in the day. Fresh profit-taking lowered Spirax-Sarco to 262p at one stage before a close of 268p for a net loss of 6, while the lower profits clipped 2 off Tex Abrasives, at 54p. Small demand in a thin market lifted Alwood Machine Tools 3 to 17p, while speculative enthusiasm put 3 on Wolverhampton Diecasting, at 25p. Among Shipbuilding, Swan Hunter reacted 5 to 121p on profit-taking and Hawthorn Leslie shed 2 to 70p.

Foods were easier for choice following a light trade, J. B. Eastwood eased a penny to 70p in front of to-day's preliminary figures, while Tate and Lyle, 202p, and J. Lyons, 88p, lost 2 apiece. Press comment was reflected in a marginal improvement in Avana, at 27½p. Other slightly firmer spots included British Vending, 1½ harder at 17p, *and Associated* Dairies, 4 higher at 287p. Hotels and Caterers had an easier bias. Adda International shaded fractionally to 28p following the results, while Trust Houses Forte gave up a penny at 156p in *front* of to-day's interim statement. Pontin's, which report preliminary results on Thursday, were softer at 25½p.

The miscellaneous Industrial leaders moved within fairly narrow limits and final quotations were little altered; Beecham reflected the trend, closing unchanged at 482p, after 478p. Elsewhere, speculative support pushed Cape Industries up 8 more to 122p, while scattered demand in a restricted market lifted Lep Group 7 to 227p. Awaiting news of the bid approach, Redfearn National Glass eased to 203p before rallying to close only a penny lower on balance at 206p. United Glass, 46p, hardened in response to favourable week-end Press mention, but RTD Group continued to reflect disappointment with the annual results and eased 2 further to 15½p. Sporadic buying interest developed in Bestobell, which improved 4 to 144p, while gains of a similar amount were made by Evode Holdings, 54p, J. H. Fenner, 124p, and S. Gibbons, 98p. *De La Rue* edged up 3 to a fresh peak for the year of 518p. In contrast, Foseco Minsep were on offer at 180p, down 5, while Vinten Group, a firm market last Friday, reacted 3½ to 51p.

Motors and Distributors held up fairly well despite the escalating dispute at Lucas Industries; the latter fell to 279p before rallying to close a share harder on balance at 284p. Lex Service featured late with a speculative rise of 3½ to 65p in active trading, while small buying in restricted markets left Lyon and Lyon 5 better at 65p and Arlington Motor 7 to the good at 51p. Clayton Dewandre, a firm market of late, hardened 2 further to 106½p, with the help of week-end Press comment. On the other hand, ERF, at 63p, gave up 1½ of Friday's speculative gain of 4½. British Leyland, at 23p, made no apparent response to news of buoyant trading in the U.S.

Associated Newspapers disappointed optimists with pre-tax profits below expectations and the close was 3 lower at 193p. Elsewhere in the sector, Thomson also shed 3 to 597p, but gains of 2 were scored by Bristol Post, 53p, and Daily Mail A, 302p. Beaverbrook A held at 68p compared with the offer price of 70p a share from Trafalgar House. Paper and kindred issues were little altered. Delyn eased a penny to 17p despite news that Lonsdale Universal has acquired a 14.3 per cent. holding in the company.



BP active

Most of the interest in Oils centred on British Petroleum partly-paid shares, which traded *fairly briskly* and closed a dearer at 378p. BP fully-paid ended without alteration at 930p. LASMO Ops, a good market of late in anticipation of a flotation of the Ordinary shares, encountered profit-taking and reacted 5 to 335p.

Chesterfield, up 12 at 229p, following the annual review, provided a little relief in a generally uninteresting session in the Property sector. Second City firmed 1½ to 32p, while Press mention left Samuel a penny dearer at 89p. Fraternal Estates were temporarily suspended at 3p pending clarification of the company's position.

Although basically firm underneath, Investment Trusts often finished little changed on Friday's closing levels. Caledonia Investments were exceptionally 10 higher at a 1977 peak of 272p, *while* S. Andrew Trust, 105p, and Glendevon Investment B, 55½p, put on 1½ apiece. Dealings in Fourth City and Commercial Investment Trust, [illegible], were suspended at the request of the company pending clarification of its trading position. R. Kitchen Taylor featured Financials with a rise of 7 to 30p on small buying in a thin market.

Shippings attracted more interest and closed firmly. Furness *Withy* rose 12 to 323p for a two-day advance of 25, while Britannia and Commonwealth were active and 5 better at 308p following Press comment on the chairman's review. Hunting Gibson reflected trading news with a gain of 4 to 251p, while rises of 3 were seen in Ocean Transport, 151p, and P. and O. Deferred, 147p.

Dawson International rose 3 to 94p in Textiles where A. Martin, 51p, and RKT Textiles, 50p, both closed 2 dearer.

A. Dunhill stood out in Tobaccos with a rise of 20 to 360p on small buying in a limited market. Rothmans International were steady at 37½p in front of tomorrow's results.

Assam Frontier featured Teas with a late rise of 20 to 212p on the sharply increased dividend and earnings. Southern India Tea Estates rose 10 to 150p for a two-day gain of 30 since the agreed bid terms from Douglas Fraser and Sons (London).

Tins firmer

Mining share markets began the week on a dull note with business at a minimum. Tins, however, attracted some investment demand despite the slight easing in the metal price both here and in Penang.

The *Cornish* tin producer Geevor rose 5 to 310p, while Saint Piran hardened to 58p on the chairman's encouraging annual statement before easing back to close unaltered on balance at 55p.

Among the Malaysian producers, Gopeng put on 5 to 200p and rises of 2 and 3 respectively were registered by Petaling, 150p, and Southern Malayan, 159p.

In contrast, South African Golds were marked down in the wake of the $1.50 fall in the bullion price to $140.875 per ounce in front of Wednesday's International Monetary Fund auction.

Trading was thin owing to the absence of U.S. interest—transatlantic markets were closed for the Independence Day holiday—and heavyweights gave up around a half-point as in Randfontein, £24, while lower-priced issues fell by as much as 17 as in Kloof, which closed at 328p. The Gold Mines index dropped 2.7 to 108.1.

The recent sharp falls in base-metal prices on the London Metal Exchange and the decline in the U.K. equity market affected sentiment in London-domiciled Financials although selling was only small.

Rio Tinto-Zinc gave up 3 further to 202p, while Charter and Gold Fields both eased 2 at 112p and 138p respectively. Selection Trust were a similar amount cheaper at 423p in front of the annual report and chairman's statement.

Australians were generally a few pence lower which reflected the tone of overnight Sydney and Melbourne markets.

Uraniums gave ground owing to uncertainty over the Federal Government's future policy regarding uranium mining. Pancontinental were ¼ off at £11 and EZ Industries 3 lower at 270p.

FINANCIAL TIMES STOCK INDICES

	July 4	July 1	June 30	June 29	June 28	June 27
Government Secs.	67.87	67.78	67.89	68.19	68.51	68.59
Fixed Interest	68.36	68.31	68.31	68.48	68.32	68.15
Industrial Ordinary	449.6	451.2	456.5	456.2	458.8	469.5
Gold Mines	108.1	110.8	111.4	108.8	111.4	110.8
Ord. Div. Yield	5.20	5.18	5.18	5.16	5.13	5.15
Earnings Y'ld % (full)	15.71	15.66	15.55	15.56	15.50	15.49
P/E Ratio (net)	9.27	9.29	9.37	9.38	9.40	9.41
Dealings marked	4,811	4,322	4,718	5,002	5,057	4,827
Equity turnover £m	—	54.42	63.51	55.22	128.90	70.14
Equity bargains total	—	13,982	13,792	13,958	22,112	14,585

10 a.m. 450.7. 11 a.m. 448.3. Noon 447.7. 1 p.m. 447.7. 2 p.m. 447.7. 3 p.m. 448.3.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. Nil = 8.39.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	71.46 (15/6)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	71.19 (15/6)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	477.4 (12/5)	357.6 (13/1)	549.2 (14/9/72)	49.4 (26/6/40)
Gold Mines	137.4 (7/3)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

[illegible]

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high
ICI	£1	13	400	−2	412
BATs Defd.	25p	12	223	−2	280
BP (Partly-paid)	£1	11	378	+3	393
P & O Defd.	£1	10	147	+3	175
BP	£1	9	930	—	966
Shell Transport	25p	9	564	—	586
Burmah Oil	£1	8	68	−2	83
GUS A	25p	8	223	—	246
Lee Cooper	25p	7	120	+17	120
Tst. Houses Forte	25p	7	156	−1	157
Hawker Siddeley	25p	6	673	−1	676
Imperial Group	25p	6	73	−2	82
Marks & Spencer	25p	6	116	−1	134
Press (Wm.)	5p	6	52	+1	63½
Rank Org.	25p	6	186	—	216

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (50)

[illegible]

NEW LOWS (8)

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declarations	For Settlement
Jun 21	July 4	Sep. 15	Sep. 27
July 5	July 18	Sep. 29	Oct. 11
July 19	Aug. 1	Oct. 13	Oct. 25

For rate indications, see end of Share Information Service.

Money was given for the call in Town and City, Premier Consolidated Oil, Westland, West-brick, Tricentrol, House of Fraser, Burmah Oil, Swan Hunter, P. and O. Deferred, Capital and Counties, English Property, BP partly-paid, Racal Electronics, Reynolds Parsons, Pentland and Berry Wiggins. Puts were done in Howard Machinery and Furness Withy, while doubles were arranged in Swan Hunter, Premier Consolidated Oil and English Property.

ENTERTAINMENT GUIDE IS CONTINUED ON PAGE 4

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST PRICE INDICES

[illegible]

FIXED INTEREST YIELDS

[illegible]

AUTHORISED UNIT TRUSTS

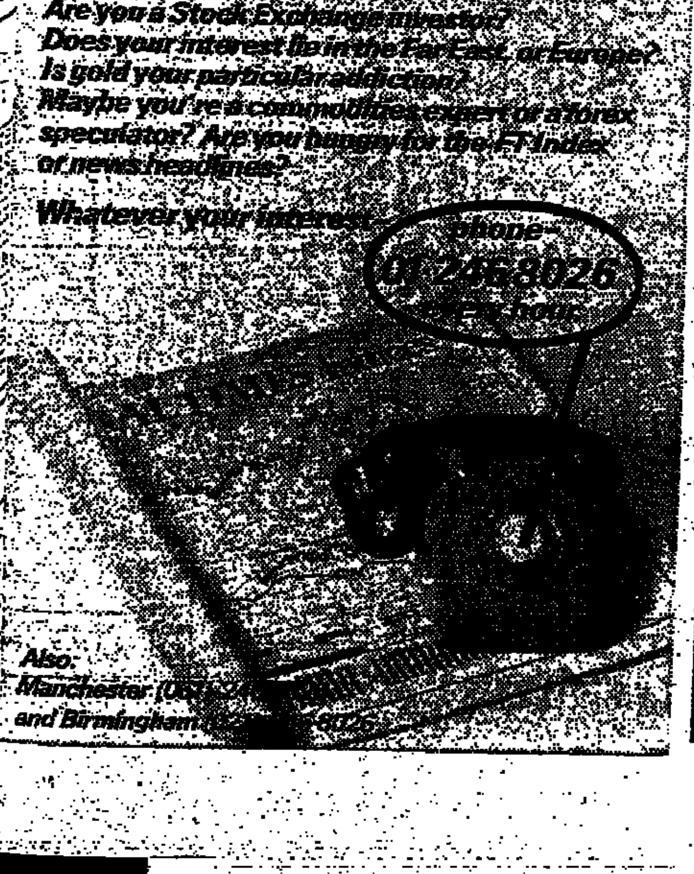
OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

BASE LENDING RATES

A.B.N. Bank	8½%	■ Hambros Bank	8½%
Allied Irish Banks Ltd.	8½%	■ Hill Samuel §	8½%
American Express Bank	8½%	C. Hoare & Co. †	8½%
Amro Bank	8½%	Julian S. Hodge	9½%
A P Bank Ltd.	8½%	Hongkong & Shanghai	8½%
Henry Ansbacher	9 %	Industrial Bk. of Scot.	8½%
Banco de Bilbao	8½%	Keyser Ullmann	8½%
Bank of Credit & Cmce.	8½%	Knowsley & Co. Ltd.	10 %
Bank of Cyprus	8½%	Lloyds Bank	8½%
Bank of N.S.W.	8½%	London & European	9½%
Banque Belge Ltd.	8½%	London Mercantile	8½%
Banque du Rhone S.A.	9 %	Midland Bank	8½%
Barclays Bank	8½%	■ Samuel Montagu	8½%
Barnett Christie Ltd.	9½%	■ Morgan Grenfell	8½%
Bremar Holdings Ltd.	9 %	National Westminster	8½%
Brit. Bank of Mid. East	8½%	Norwich General Trust	9 %
■ Brown Shipley	8½%	P. S. Refson & Co.	8½%
Canada Permanent AFI	8½%	Rossminster Accept'cs	8½%
Capitol C & C Fin. Ltd.	9 %	Royal Bk. Canada Trust	8½%
Cayzer Ltd.	9½%	Schlesinger Limited	9 %
Cedar Holdings	9 %	E. S. Schwab	10½%
■ Charterhouse Japhet	8½%	Security Trust Co. Ltd.	10 %
C. E. Coates	9½%	Shenley Trust	11½%
Consolidated Credits	8½%	Standard Chartered	8½%
Co-operative Bank *	8½%	Trade Development Bk.	8½%
Corinthian Securities	8½%	Twentieth Century Bk.	10 %
Credit Lyonnais	8½%	United Bank of Kuwait	8½%
G. R. Dawes	10 %	Whiteaway Laidlaw	9 %
Duncan Lawrie ¶	8½%	Williams & Glyn's	8½%
Eagil Trust	8½%	Yorkshire Bank	8½%
English Transcont.	9 %		
First London Secs	8½%		
First Nat. Fin. Corpn.	9½%		
First Nat. Secs. Ltd.	9½%		
■ Antony Gibbs	8½%		
Goode Durrant Trust	8½%		
Greyhound Guaranty ‡	8½%		
Grindlays Bank †	8½%		
■ Guinness Mahon	8½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4½%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5½%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 5½%.
¶ Rate also applies to Sterling Ind. Secs.



Scottish Widows' Group
PO Box 902, Edinbrgh., EH16 5BU. 031-655 6000

Inv. Ply. Series 1	92.1	92.1		—
Inv. Ply. Series 2	87.3	91.9		—
Ex. Ut. Tr. June 29	120.4	125.6		—
Mgd. Pens. June 29	216.5	222.3		—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax.

CORAL INDEX: Close 448-453

INSURANCE BASE RATES

† Property Growth	10%
Cannon Assurance	5 %

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1977 High	Low	Stock	£	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101½	98⅞	Treasury 11½pc '77‡‡	100⅜	......	11.41	7.61
98½	93⅛	Treasury 3pc '77‡‡	98½	......	3.04	6.96
98¾	94½	Transport 4pc '72-77	98¾	......	4.05	6.78
100⅞	95⅝	Treasury 9pc 1978‡‡	100⅛	−1/32	8.99	8.78
102⅝	97⅞	Treasury 10½pc '78‡‡	101⅛xd	−1/16	10.34	8.88
98⅞	90	Exch. 5pc '76-78‡‡	97⅛	......	5.15	7.45
104⅛	95½	Treasury 11½pc '79‡‡	102⅜	+1/16	11.24	9.93
94¼	84½	Treasury 3pc '79‡‡	92⅞	......	3.23	6.52
96⅛	85¼	Electric 4½pc '74-79	93⅞	......	4.53	7.27
102½	92	Treasury 10½pc '79‡‡	101	......	10.40	9.89
95⅛	84⅞	Electric 3½pc '76-79	92⅞	......	3.77	6.80
100⅛	87¾	Treasury 9pc 1980‡‡	98½	......	9.14	9.60
100⅛	88⅞	Treasury 9½pc '80‡‡	98⅞	......	9.61	9.91
92⅝	82⅞	Treasury 3½pc '77-80	92⅝	+¼	3.78	6.28
94¼	83½	Funding 5¼pc '78-80‡‡	93⅝	+¼	5.61	7.70
109½	96½	Exchequer 13pc 1980‡‡	106½	+⅛	12.21	10.65
105½	92½	Treasury 11½pc 1981‡‡	102¾xd	......	11.19	10.49
89⅝	77⅞	Treasury 3½pc 1979-81	88⅞	+½	3.94	7.03
101¼	86½	Treasury 9¾pc 1981‡‡	98⅛	−⅛	9.94	10.34
98¼	98	Treas. Variable '81	98½	−1/32	—	—
110½	96¼	Exch. 12¼pc 1981‡‡	106½	......	11.96	10.80
98¼	82⅞	Treasury 8¼pc '80-82‡‡	95¼xd	......	8.92	9.82
87⅛	71⅝	Treasury 3pc '82‡‡	85⅛	+¼	3.52	6.91
115½	101⅛	Treasury 14pc '82‡‡	111½	......	12.55	10.74
98½	98⅛	Treas. Variable '82	98½	......	—	—
		Five to Fifteen Years				
97½	93¾	Exch. 9¼pc 1982	95¼	......	9.78	10.63
109⅞	95½	Treasury 12pc 1983‡‡	107	......	11.80	11.15
88⅞	72⅝	Funding 5½pc '82-84‡‡	81⅝xd	......	6.72	9.28
96⅝	77⅞	Treasury 8½pc '84-86‡‡	88½xd	......	9.59	10.48
80⅞	66¼	Funding 6½pc '85-87‡‡	76¼	......	8.60	10.54
86⅞	68½	Treasury 7¾pc '85-88‡‡	79½xd	......	9.74	11.07
62¼	49⅝	Transport 3pc '78-88	57	......	5.26	9.35
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 41¾% (based on $1.7204 per £)

Conversion factor 0.7062 (0.7048)

CANADIANS

1977 High	Low	Stock
12¾	10	Bk. Montreal $2
17⅞	13⅜	Bk. Nova Scotia $1
42	34¾	Bell Canada 25c
19¾	13½	Bow Valley‖
10⅝	875p	Brascan‖
22⅜	17⅛	Can. Imp. Bk. $2
14⅝	11⅛	Can. Pacific $5
33¾	26½	Do. 4pc Deb. £100
22⅞	18⅝	Gulf Oil Can.‖
420p	335p	Hawker Sid. Can.‖
25½	20¼	Hollinger $5
13⅛	10⅝	Hudson's Bay ‖
30	25⅛	Hud. B. Oil G. $2½
18¼	15⅛	Imperial Oil‖
28¼	21⅛	Inco
875p	740p	Inl. Nat. Gas $1
[illegible]		

S.E. List Premium 41¾% (based on $1.7271 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

هكذا من الأصل

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
280	217	Malay Dredging $M1	280	......	tQ95.5c	1.1	8.5
—	—	APahang	27#	......	tQ2.5	0.5	9.2
55	50	Pengkalen 10p	55	......	5.5	1.3	15.4
155	133	Petaling $M1	150	+2	mQ12½c	10.9	2.1
56	35	Saint Piran	55	......	1.81	4.6	5.2
105	77	South Kinta (10p)	88	......	tQ19.46	0.6	22.1
205	148	Sthn. Malayan	193	+3	tQ32.82	1.1	17.0
66	57	Sungei Besi $M1	63	......	—	—	—
*40	19	Supreme Corp. $M1	40	......	2Q10	—	6.2
55	42	Tanjong 15p	45	......	6.25	0.7	21.4
67	45	Tongkah Hrbr. $M1	60	......	mQ16%	0.3	7.0
137	93	Tronoh $M1	137	......	†4.29	2.0	4.8

COPPER

198	136	Messina R0.50	140	......	Q45c	2.8	21.5

MISCELLANEOUS

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p	9	......	—	—	—
31	18	Charterhall 5p	23½	......	—	—	—
107	58	Colby Mines $C1	94	......	—	—	—
600	380	Cons. Murch. 10c	380xd	−5	†Q140c	1.4	‡
440	330	Northgate C$1	430	......	—	—	—
247	173	R.T.Z.	202	−3	8.0	q3.1	6.1
70	42	Sabina Inds. C$1	45	......	—	—	—
£14¾	£11⅛	Tara Exptn. $1	£14¼	......	—	—	—
53	39	Tehidy Minerals 10p	45	......	1.19	ϕ	4.1
160	123	Yukon Cons. C$1	128	......	Q6½c	3.6	1.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 36

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	19	......
Ash Spinning	40	......
Bertam	17	......
Bdg'wtr. Est. 50p	218	......
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	22	......
Ellis & McHdy	63	......
Evans Fr'k. 10p	29	......
Evered	11	......
Fife Forge	44	......
Finlay Pkg. 5p	13	......
Graig Ship. £1	350	......
Hallam Sleigh 10p	10½	......
Higsons Brew	92	......
I.O.M. Stm. £1	160	......
Holt (Jos.) 25p	222	......
Kleen-e-Ze	50xd	......
N'thn. Goldsmith	28xd	......
Pearce (C. H.)	103	......
Peel Mills	13	......
Robb Caledon 5p	98	......
Sayers 12½p	32	......
Sheffield Brick	90	......
Sheff. Refrshmt.	165	......
Shiloh Spinn	20	......
Sindall (Wm.)	65	......

IRISH

Conv. 9% '80/82	£93½	......
Alliance Gas	58	......
Arnott	300xd	......
Carroll (P.J.)	85xd	−3
Clondalkin	59	+1
Concrete Prods.	78	......
Heiton (Hldgs.)	51	......
Ind. News	78	......
Ins. Corp.	120	......
Irish Distillers	68xd	......
Irish Ropes	140	......
Jacob	44	......
Sunbeam	15	......
T.M.G.	87	+2
Unidare	53	......

OPTIONS
3-month Call rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	12
Babcock	10
Barclays Bank	25
Berry Wiggins	5
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	21
British Oxygen	6
Brown (J.)	20
Burton 'A'	6
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	7
G.U.S. 'A'	18
Guardian	18
G.K.N.	25
Hawker Sidd.	60
House of Fraser	12
I.C.I.	23
"Imps"	7
I.C.L.	20
Inveresk	7
Ladbroke	11
Legal & Gen.	12
Lex Service	6
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	8
Lucas Inds.	25
Lyons (J.)	9
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	8
P & O Dfd.	13
Plessey	7
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6

Property

Brit. Land	5
Cap. Counties	3½
E.P.	5
Intereuropean	5
Land Secs.	18
MEPC	10
Peachey	6
Samuel Props.	10
Town & City	2

Oils

Brit. Petroleum	60
Burmah Oil	8
Shell	28
Ultramar	15

Mines

Charter Cons.	12
Charterhall Fin.	3½
Cons. Gold	12
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Tuesday July 5 1977

Demirel will try to form Government

BY METIN MUNIR

ANKARA, July 4.

MR. SULEYMAN DEMIREL, leader of the conservative Justice Party, to-day accepted an invitation from President Koruturk to form a new Turkish Government—a month after he was defeated in a general election.

He has no alternative but to seek to resurrect the rather shaky coalition that governed Turkey before the election on June 5.

Even that will not be easy, given the determination of the smaller parties to demand a voice in the Cabinet quite disproportionate to their size.

It is the fifth time that Mr. Demirel, generally regarded as one of the best tacticians in recent Turkish political history, has been asked to lead a government.

His skill as a survivor was again apparent yesterday when he brought about the downfall of Mr. Bulent Ecevit, the Prime Minister-designate, in a confidence vote in the National Assembly.

Mr. Ecevit, as the leader of the largest single group, the Republican People's Party, had been seeking to bring in a minority government since last month's general election.

He was defeated by the combined votes of the Justice Party, the Islamic National Salvation Party of Prof. Necmettin Erbakan, and the Nationalist Action Party of Col. Alparslan Turkes.

Support

It is with these parties that Mr. Demirel will now try to form a coalition. The process should take at least ten days.

Mr. Demirel already enjoys the support of Col. Turkes. A former Army officer, He must obtain the support of Prof. Erbakan who, as in the aftermath of the 1973 election, holds the key to the equation.

Although his National Assembly seats have declined by half, Prof. Erbakan is still the king-maker in that neither Mr. Demirel nor Mr. Ecevit could form a coalition without his support. Prof. Erbakan is well aware of the strength of his position and appears determined to exploit it to the full.

Virtually no political observer in Ankara believes that a new right-wing coalition can be strong or credible. Its predecessor was bedevilled by internal rivalries, inconsistencies and partisanship.

All the factors which contributed to its downfall are still prevalent, only more so. Despite his election losses, Prof. Erbakan appears to want an even greater share of power.

Mr. Ecevit, who will remain in a caretaker capacity, has been silent to-day. His supporters, who make up the biggest segment of the electorate, are stunned, and have started blaming him for bad tactics.

Solution

The mass-circulation daily Gunaydin, to-day ran an editorial on the front page urging Mr. Ecevit not to mix up poetry with politics (Mr. Ecevit writes and translates poetry). The headline was "Ecevit Loses Again."

The only solution which would save Turkey from Government crises at worst and shaky coalitions at best now seems a coalition between Mr. Ecevit and Mr. Demirel.

This solution has been frequently rejected and does not appear feasible at this point. Another early election is also a remote possibility.

Meanwhile, the atmosphere of political instability which has prevailed since the beginning of this decade will continue.

Moves to cool postal dispute over Grunwick

BY DAVID FREUD, INDUSTRIAL STAFF

POST OFFICE management and union officials took steps yesterday to defuse the dispute over the unofficial blacking of *Grunwick mail.*

The Post Offices' threat to suspend the 126 workers at the Cricklewood sorting office in North London was again postponed—this time until 12.30 p.m. to-day—after the London district council of the Union of Post Office Workers reversed last week's decision supporting the Cricklewood blacking.

The Post Office later issued a tough statement saying there could be no question of putting *off the new deadline.*

The postponement was made in response to a request by Mr. Tom Jackson, the union's general secretary, to allow the Cricklewood branch time for a mass meeting. The meeting, to be held at 11 a.m. to-day, will consider whether to drop the blacking in line with the council's new decision.

Two-to-one margin

Developments elsewhere yesterday in the 11-month dispute:

● Grunwick started its High Court action for an Order setting aside the recommendation of the Advisory Conciliation and Arbitration Service that the company recognise the *Association of Professional,* Executive, Clerical and Computer Staffs (APEX) for negotiating purposes.

● Restraint was shown by the 150-strong picket outside the company's Willesden plant after a strike committee appeal not to try to stop the buses carrying in workers. Mr. Hugh Scanlon, president of the *Amalgamated Union of* Engineering Workers, joined the picket for half-an-hour *together with members of his* executive.

● A crowd of more than 60 protested outside Willesden magistrates' court, where Mr. Richard Maull, who is charged with causing grievous bodily harm to PC Trevor Wilson two *weeks ago outside the plant,* was remanded on bail until August 18.

The decision by the 330 delegates from all London postal districts to reverse their support for the blacking was taken by a two-to-one margin.

Mr. Jackson warned at the emergency conference that the union "could be sued and sued heavily" unless the blacking stopped pending Lord Justice Scarman's court of inquiry into the dispute, which starts sitting to-day.

Total stoppage

If the blacking did not stop, the prospect was one of suspensions, strikes and a total stoppage of all London mail. He pointed out that no other group except the postal workers were involved in the struggle to get Grunwick to recognise APEX.

The immediate response by postal workers at Cricklewood to the council decision was one of disappointment.

Mr. David Dodd, the secretary of the branch, said: "We are very bitter about the action Tom Jackson has taken. It is quite possible that the branch will not go along with it. We will have to wait and see what the branch decides."

If the meeting decides to continue the blacking, suspensions are likely to go into effect rapidly. The Post Office stated: "There can be no question of any additional delay in implementing the measures previously announced."

The feeling among officials of the UPW yesterday was that other London branches would *not take retaliatory action* if the suspensions came into effect, following the council's vote.

In the High Court, Mr. Mervyn Heald, QC, for Grunwick, told Lord Widgery, Lord Chief Justice, that pressure from *APEX* had resulted in unfairness to the company.

Mr. Heald, who said he was speaking "in legal terms and not about personalities," said there was pressure by letter, meetings and telephone.

As a result, he claimed, ACAS was influenced in its treatment of the case to the detriment of the company.

● Grunwick is expected to be the subject of an emergency debate at the *Transport and General Workers' Union* conference to-day.

Court hearing, Page 10
Society To-day Page 27

THE LEX COLUMN

The next battle of Trafalgar

Much of the large jump of $1.67bn. in the official reserves last month can be explained by special factors like the BNOC loan, which accounted for $750m., and the weight of foreign subscription for the U.K. offer of BP shares, most of which will be returned to applicants this month. But with sterling continuing to be sold for foreign currency by the Bank of England in the foreign exchange market the rise in the reserves serves to highlight the intense debate already going on in the City about the inconsistencies of official policy.

It is possible that the impact will begin to accelerate the money supply from the July banking month onwards, although the June figures (the *first batch of which is published* to-morrow) should stay fairly sluggish. The authorities may fear that adverse developments on the pay front will weaken *foreign confidence in sterling.* If not, the policy of pegging the sterling/dollar parity could make monetary management very difficult.

Assoc. News

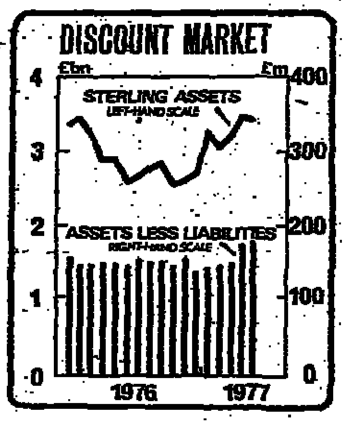
The Associated Newspapers' story remains the saga of the London Evening News. The prospect of escape at last, in the shape of spending £15m. to buy the Evening Standard and create a monopoly, has crumbled *to nothing in three* months. The News is now faced, thanks to Trafalgar House, with a financially revived competitor and an opposition management which would not be tempted to ditch the Standard to save the Express. Word is that the new Beaverbrook is out for blood, and the News—probably losing around £5m. a year—is the sagging underbelly of Associated.

Yesterday's figures for the year to March show a 42 per cent. pre-tax rise *to £12m. That* includes perhaps £5m. of the *first oil profits from Argyll, another £1½m. from associates and investments,* and an improved year for the regional papers (possibly another £1m.).

So a sharp and desired change in the trading profits profile will show through this year (80 per cent. was from newspapers last year). But it *looks as if* Fleet Street losses are swallowing the oil revenue, and Argyll is already close to its peak earnings. The top rate of 30,000 barrels a day was hit in May, so Associated might approach £7m. in oil revenue this year.

Back at the Evening News, the prospect of a new up-market attack on the Standard, plus a revamped down-market News are both rumoured, not to mention a Sunday Mail. Associated, for the moment, can afford to *try to spend its way out of* trouble (a £1.1m. turnround in extraordinary items has further strengthened the balance sheet and retained earnings were tripled at £4.8m.). But unless the losses are stemmed quickly, the only North Sea glamour left in Associated will lie with the hope value of its Crawford and Bruce interests. A p/e of 10.2, with the shares 3p down at 193p, is non-committal.

Index fell 1.6 to 449.6



Mercury Secs.

A 14 per cent. rise to £8m. *in net disclosed banking profits* during the year to March leaves Mercury Securities at the bottom end of the profits growth table for the big accepting houses in 1976-77. *But to* judge by the movement in minorities and associate interests, the London end of the operation has done at least *as well as most of the competition, whereas the joint ventures with* Paribas have not been quite so buoyant. Thus the minorities charge, which mainly represents *Paribas'* 25 per cent. holding in Warburg, is 25 per cent. higher.

Overall profits at the attributable level have been boosted by a recovery in metal trading plus an upturn in the other activities and are up from £6.9m. to £8.6m.

The banking side has seen *substantially higher activity* in the Eurobond market—Warburg managed issues amounting to around $1½bn. in the 18 months to June. It has also had more international corporate finance work, and its managed funds have risen by *over a quarter* to around £1bn. This wide spread of activities, coupled with a balance sheet which is less constraining than most, explains why the yield is the lowest in the sector—4½ per cent. at 108p.

Alexanders Discount

The first quarter bonanza naturally dominated Alexanders Discount's first six months, but the "materially" higher profits also reflect the reasonable level of profitability which has been maintained since then. Current discount market conditions are comfortable, with money plentiful at 7 per cent. or a little under, giving a decent margin even on Treasury bills. The overall level of books has tended to increase, and although the market has probably sold the bulk of the £400m.-plus of conventional gilt-edged held early in the year it has taken eagerly to the variable rate variety. There was early interest in the new floater yesterday, and the fact that the Government Broker withdrew at 98⅜ probably means an offtake of £40m.-£50m. Meantime commercial bill *activity has picked up* noticeably in the past couple of months.

Share prices in the sector have been sluggish since the enthusiasm peaked last winter. But the yields are now looking quite attractive, with Alexanders offering a prospective 10.1 per cent. at 220p.

Oil

The ending of the two-tier OPEC crude price structure had been anticipated by the market, and the Shell and BP prices *hardly reacted yesterday. In* theory, the result of the OPEC settlement will be a 1 or 2 per cent. rise in product prices, with Shell and BP gaining, since *most of their crude is already* at the higher prices, while the margins of some U.S. majors will be squeezed in the absence of low-cost supplies from, *notably, Saudi Arabia.* But it will be the final quarter before the benefit shows up fully in the BP and Shell earnings figures.

Revised Price Code depends on pay deal

BY STUART ALEXANDER

THE GOVERNMENT is to go ahead with its prices policy including margin controls and powers to freeze prices during investigations into company accounts, on condition that there is a further period of the pay policy. The new code would also apply equally to the nationalised industries.

Proposals for a new Price Code, including draft regulations to provide safeguards from the effects of the new investigatory powers in the recently passed Price Commission Bill, were published yesterday in a White Paper presented to Parliament by Mr Roy Hattersley, Secretary for Prices and Consumer Protection.

It states: "The Government have made it clear that the continuation of the margin controls is conditional upon the approval by Parliament of a White Paper on pay policy after July 31."

There are no concessions to the *Confederation of British* Industry or other industrial and commercial groups—a matter for regret, said the CBI yesterday—and it is intended to bring the code into operation on August 1, the day after the old prices code ends.

The White Paper is a consultative document, reflecting Mr. Hattersley's obligation under the 1973 Counter-Inflation Act "to consult widely with interested parties before making an order *to amend the Price Code.*" It has been sent to more than 200 organisations, and July 18 is the final date for submitting comments.

While existing cost-related controls on the price of goods and services will be dropped, margin controls, which have been the subject of fierce debate, are retained for a further year.

As expected, the minimum profit reference level is raised from 2.5 to 3 per cent. of turnover, and the safeguards for distributors are to be raised to up to 115 per cent. of base-period levels in order to restore net profit margins to 85 per cent. of *reference levels.*

Investment relief is to be extended to cover purchases of certain types of existing buildings as well as the construction of new buildings, as long as those buildings are for occupation by the company claiming relief.

Sanction

To back up the link with the pay policy, the code would impose a similar sanction to *the* present one which would deduct from prices the cost of any settlement in excess of pay limits set out in a Stage Three White Paper.

There will be new turnover levels to determine which category of company the various types of manufacturing and service industries will fall into, the lower limits being raised to take account of inflation.

The Government gives an assurance that it is considering comments already received on the safeguard levels of profit which companies are not to be prevented from earning because of an investigation, but the new code contains no modification of the outline proposals.

The Retail Consortium said last night: "The whole thing now hangs on what kind of wage agreement the Government manages to achieve. Anything less than a low single figure percentage wage increase could not be accommodated within the historic margin controls proposed in the White Paper."

Prices Policy, the Price Code and Safeguard Regulations, a consultative document. Cmnd. No. 6861. SO. 75p.

Jones tries to ensure unanimity on wages

By Christian Tyler, in Douglas

MR. JACK JONES and other leaders of the Transport and General Workers Union were trying last night to ensure that their union's conference does not ditch the incomes policy 12-month rule and with it the "orderly return" to free collective bargaining in the next wage round.

The all-important conference debate of the 1.95m.-member *union on the future of pay* policy and the Social Contract will take place to-morrow.

The conference's standing orders committee is wrestling with 52 separate resolutions—*most of them hostile to any* form of Stage 3. The union's leaders are hoping that a composite resolution can be constructed to give the maximum chance of a united decision.

Voluntary

The general executive council was yesterday prepared to toughen up its own regulation for an "orderly return to monetary collective bargaining" in order to *include all shades of* opinion expressed by branches and the union's big industrial groups in the car industry, engineering, the docks and building.

This composite will probably say that there should be a return to voluntary collective bargaining after Stage Two expires at the end of the month *but will say or imply that* settlements under Stage Two should run their full 12 months.

That proviso is seen by Mr. Jack Jones, the bulk of the TUC general council and by some Government officials as the main deterrent to a pay explosion.

If the standing orders committee ends up with two or more resolutions—one for an orderly return and others for the immediate lifting of restraint on August 1—the 1,000 delegates meeting in Douglas, Isle of Man could be *divided.*

Mr. Jones, who is attending his last conference as General Secretary, is anxious to achieve unity.

Difficulties

One obvious difficulty is that some of the resolutions call for an end to the Social Contract with the Labour Government. Mr. Jones has stressed that must live on, whatever decision is made about pay.

Yesterday Mr. Stan Pemberton, chairman of the executive council, foreshadowed to-morrow's debate when he pointed to the difficulties caused by two years of voluntary incomes policy, which was largely designed by the TGWU.

There was a widely-felt desire to secure an orderly resumption of normal collective bargaining as soon as possible, he said.

"It is now generally accepted that the key issues of productivity, differentials and relativities require the processes of normal negotiations directly related to the place of work."

The conference would wish to avoid any "inflationary scramble."

Clean-up

A FIVE-YEAR experiment costing £70,000 to try to solve the pollution problems of Barton Broad, Norfolk, where it is said Lord Nelson learned to sail, has been announced by the Anglian Water Authority.

Silkin voting against direct elections

BY CHRISTOPHER PARKES

MR. JOHN SILKIN, Minister of Agriculture, announced yesterday that he will vote on Thursday night against direct *elections to the European Parliament.*

He also confirmed that the Cabinet will soon hold a special meeting at which it will review its tactics on the Common Agricultural Policy, a "common fisheries policy, and, by inference, its whole approach to Britain's membership of the EEC."

Speaking after opening a British food exhibit at the Royal Show, Stoneleigh, Warwickshire, he said: "I am against direct elections, and I will vote against it."

Aware that the Government is committed to direct elections, he said: "I have a clear conscience—well, a relatively clear conscience—on that matter."

The Commons is to vote on the direct elections Bill at the end of a two-day debate on Thursday night. The Cabinet meeting on Britain's attitude towards Europe is expected to take place before the end of the session. It will probably take the form of what one official described as a "post-presidential stock-taking."

No immediate substantive changes in policy towards the EEC can, however, be expected.

Mr. Silkin has been particularly aggressive in his dealings with his Common Market colleagues.

He also gave notice that, having ended his six-month term of presidency of the EEC Council of Agriculture Ministers, he could now revert to being "tough, partial, and even pugnacious" in his dealings with the Community.

Richard Evans, Lobby Editor, writes: Although Mr. Silkin is the first Cabinet Minister to state publicly that he will vote against the European Assembly elections Bill, there are five other senior Ministers known to have opposed the Bill in Cabinet discussions.

They are Mr. Michael Foot, Leader of the Commons, Mr. Peter Shore, Secretary for the Environment, Mr. Anthony Wedgwood Benn, Secretary for Energy, Mr. Albert Booth, Secretary for Employment, and Mr. Stan Orme, Minister for Social Services. All are expected to vote against the second reading following Mr. Callaghan's decision to allow a free vote for the Cabinet as well as for Labour MPs.

Royal Show report Page 35

Continued from Page 1

Gormley

ingham £135 as a target for negotiation, but not one which must be achieved in a single jump this year.

It was motions like the composite one from the three Left-wing areas which drew criticism from Mr. Gormley in his presidential address at the opening of the conference yesterday.

He said people who tabled pay motions which they knew could not be met in a single negotiating period were "completely wrong" and placed the union's leaders in a "very false position."

"Somebody thinks of a figure, doubles it and puts it forward as a wage which we should try to achieve.

"Somebody else then thinks of a higher figure and without investigating as to how it is going to be achieved, says that is the target which we must strain.

"I do not think this is an honourable way for a strong union like ours to be conducting its affairs."

Miners would support leaders who fought for a good standard of living in a sensible way, but *they would not support those* who took up "silly positions."

Associated with to-day's wages debate will be the equally important issue of productivity.

Negotiations are in progress between the unions and National Coal Board on a pit level productivity scheme which, moderate union officials hope, will not only improve output but may bring down the pressure on the direct pay front.

But left-wingers remain resolutely opposed to any such scheme and the voting on this in to-day's debate is again expected to be finely balanced.

LOWESTOFT BUS SERVICE CLOSED

The corporation bus service in Lowestoft, Suffolk, is being closed down after 70 years because it is losing money.

Continued from Page 1

Dollar

another psychological level of 265 to the dollar.

Yet the pressure has extended to the dollar's rates against other currencies.

Besides the question of possible upward adjustments in the value of stronger currencies, there is also general anxiety about the present state of the U.S. economy.

Points quoted by dealers included concern over the balance of payments, the apparent slowdown in the rate of recovery in the U.S. and the failure of New York interest rates to harden as much as some observers had expected.

Weather

U.K. TO-DAY

MOSTLY DRY, sunny and warm.

London, Midlands, E. Anglia, S.E., E., Cent. S. and Cent. N. England

Dry, sunny spells, perhaps isolated showers. Max. 28C (82F).

S.W. and N.W. England, Wales, Lakes, I. of Man

Dry, sunny periods, perhaps isolated showers. Max. 25C (77F).

N.E. England, Borders, Edinburgh, Aberdeen

Dry, sunny. Max. 24C (75F).

S.W. and N.E. Scotland, Glasgow, Cent. Highlands, Moray Firth, Orkney Shetland, N. Ireland

Dry, sunny. Max. 19C (66F).

Argyll, N.W. Scotland

Occasional light rain. Max. 16C (61F).

Outlook: Little change.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Amsterdam	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Newcastle	[illegible]	[illegible]	[illegible]
Birmingham	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Rio de J'o	[illegible]	[illegible]	[illegible]
Cardiff	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]	Tehran	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
H. Kong	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]				
Luxembourg	[illegible]	[illegible]	[illegible]				

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	S	25	77	Jersey	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Las Plms.	[illegible]	[illegible]	[illegible]
Blackpool	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Guernsey	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Isle of Man	S	17	63	Venice	[illegible]	[illegible]	[illegible]

S—Sunny. F—Fair. C—Cloudy. R—Rain. H—Hazy.

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